

1237

RECEIVED
LEGISLATIVE AUDITOR

05 JAN -3 AM 9:30

**Delta Community Action Association, Inc.
Tallulah, Louisiana**

Financial Statements

**As of and for the Years Ended June 30, 2004 and 2003
With Supplemental Information Schedules**

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 2-2-05

Delta Community Action Association, Inc.
Tallulah, Louisiana

Table of Contents

	<u>Page No.</u>
Independent Auditors' Report	1 – 2
Financial Statements:	
Statements of Financial Position	3
Statements of Activities	4
<i>Statements of Cash Flows</i>	5
Notes to Financial Statements	6 – 12
Combining Schedules:	
Combining Schedule of Financial Position	13
Combining Schedule of Activities	14
Supplemental Information Schedules Prepared For Grants and Contracts Analysis	
Head Start Program Grant Award 06CH0393/13	16
For the Contract Period: July 1, 2003 to June 30, 2004	
Child and Adult Care Food Program	17
For the Contract Period: October 1, 2002 to September 30, 2003	
Family Day Care Home Program	18
For the Contract Period: October 1, 2002 to September 30, 2003	
Delta Recovery Center Contract DHH No. 351401304	19
For the Contract Period: July 1, 2003 to June 30, 2004	
Schedule of Expenditures of Federal Awards	20

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana

Table of Contents
(Continued)

	<u>Page No.</u>
Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i>	21 – 22
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	23 – 24
Summary Schedule of Prior Audit Findings	25
Schedule of Findings and Questioned Costs	25 – 28
Schedule of Prior Audit Findings for Louisiana Legislative Auditor	29
Schedule of Current Audit Findings for Louisiana Legislative Auditor	30 – 31

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

We have audited the accompanying statements of financial position of Delta Community Action Association, Inc. as of June 30, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Delta Community Action Association, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits 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 audits 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 Delta Community Action Association, Inc. as of June 30, 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 October 22, 2004 on our consideration of Delta Community Action Association, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying schedule of expenditures of federal awards 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*, and is not a required part of the basic financial statements. 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.

The accompanying supplemental combining schedules on pages 13 and 14 are presented for the purpose of additional analysis and are not a required part of the financial statements of Delta Community Action Association, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

The accompanying supplemental schedules, listed as "Supplemental Information Schedules Prepared For Grants and Contracts Analysis" in the table of contents, and shown on pages 16–19, are presented for the purpose of providing various funding sources of Delta Community Action Association, Inc. additional individual grant and contract analysis and are not a required part of the financial statements. The information is prepared on a prescribed basis of the various funding sources of Delta Community Action Association, Inc., and certain schedules are for periods other than Delta's audit year. These schedules are not presented in accordance with generally accepted accounting principles. Accordingly, these schedules are not intended to present financial position and results of operations in conformity with generally accepted accounting principles. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, they are fairly stated on the basis of accounting practices prescribed by the various funding sources.



Cook and Morehart
Certified Public Accountants
October 22, 2004

Delta Community Action Association, Inc.
Tallulah, Louisiana
Statements of Financial Position
June 30, 2004 and 2003

Assets	2004	2003
Current assets:		
Cash	\$ 243,992	\$ 234,212
Grant receivables	321,665	353,967
Due from other funds	48,147	80,779
Total current assets	613,804	668,958
Property and Equipment:		
Property and equipment	1,376,820	1,134,656
Accumulated depreciation	(726,607)	(655,228)
Total property and equipment	650,213	479,428
Total Assets	\$ 1,264,017	\$ 1,148,386
Liabilities and Net Assets		
Current liabilities:		
Accounts payable	\$ 293,355	\$ 257,072
Accrued liabilities	55,708	53,401
Due to other funds	48,147	80,779
Other liabilities	2,316	5,041
Refundable advances	56,581	127,034
Total current liabilities	456,107	523,327
Net assets:		
Unrestricted:		
Operating	157,697	145,631
Fixed assets	650,213	479,428
Total net assets	807,910	625,059
Total Liabilities and Net Assets	\$ 1,264,017	\$ 1,148,386

The accompanying notes are an integral part of this statement.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Statements of Activities
For the Years Ended June 30, 2004 and 2003

	Unrestricted	
	2004	2003
Revenues and Other Support:		
Contractual revenue - grants	\$ 3,470,634	\$ 3,346,890
Miscellaneous revenues	11,940	20,875
	3,482,574	3,367,765
Expenses:		
Head Start program	1,829,669	1,757,216
Child care food program	188,006	172,112
Community services block grant	169,462	207,240
Home energy assistance	12,651	148,480
Family day care services	852,860	792,092
Delta recovery program	124,839	127,340
Migrant education	111,165	118,204
Commodities distribution		1,032
General services	11,071	
	3,299,723	3,323,716
Changes in net assets	182,851	44,049
Net assets as of beginning of year	625,059	581,010
Net assets as of end of year	\$ 807,910	\$ 625,059

The accompanying notes are an integral part of this statement.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Statements of Cash Flows
For the Years Ended June 30, 2004 and 2003

	2004	2003
Operating activities		
Changes in net assets	\$ 182,851	\$ 44,049
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	90,442	80,799
Loss on disposal	1,005	
(Increase) decrease in operating assets:		
Grant receivables	32,302	150,429
Increase (decrease) in operating liabilities:		
Accounts payable	36,283	(201,143)
Accrued liabilities	2,307	17,670
Refundable advances	(70,453)	56,609
Other liabilities	(2,725)	(2,973)
Net cash provided by operating activities	272,012	145,440
Investing activities		
Payments for property and equipment	(262,232)	(99,359)
Net cash used in investing activities	(262,232)	(99,359)
Net increase in cash	9,780	46,081
Cash as of beginning of year	234,212	188,131
Cash as of end of year	\$ 243,992	\$ 234,212

The accompanying notes are an integral part of this statement.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003

(1) Summary of Significant Accounting Policies

A. Nature of Activities

Delta Community Action Association, Inc. (Delta) is a private non-profit corporation incorporated under the laws of the State of Louisiana. A Board of Directors composed of 15 members governs Delta. Delta operates as a community action agency administering various federal and state funded programs designed to provide assistance to the poor and disadvantaged in various parishes in Louisiana that Delta serves. The following programs, with their approximate percentage of total revenues indicated, are administered by Delta:

Head Start Program (57%) – Provides comprehensive early child development for disadvantaged and handicapped preschool children and their families. Funding is provided by federal funds from the U.S. Department of Health and Human Services.

Child Care Food Program (5%) – Provides a food service program in coordination with the Head Start Program. Funding is provided by federal funds from USDA passed through the Louisiana Department of Education.

Community Services Block Grant (5%) – Administers programs designed to provide services and activities that will have a measurable impact on causes of poverty in the community. Funding is provided by federal funds passed through the Louisiana Department of Labor.

Home Energy Assistance (1%) – Assists low income households to offset the burden of high energy costs. Funding is provided by federal funds passed through Louisiana Housing Finance Agency.

Family Day Care Services (25%) – Provides a food service program for children in private nonprofit centers of approximately 140 homes. Financing is provided by federal funds passed through the Louisiana Department of Education.

Delta Recovery Program (4%) – Provides substance abuse treatment and education for eligible participants. Funding is provided by federal funds passed through the Louisiana Department of Health and Hospitals, Division of Alcohol and Drug Abuse.

Migrant Education (3%) – Provides assistance, such as housing, to establish or improve programs designed to meet the special educational needs of migratory children of migratory agricultural workers or migratory fishers. Funding is provided by federal funds passed through the Louisiana Department of Education.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

B. Basis of Accounting

The financial statements of Delta have been prepared on the accrual basis of accounting.

C. Basis of Presentation

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, the Organization 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.

D. Income Tax Status

Delta is a non-profit corporation and is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to Delta's tax-exempt purpose would be subject to taxation as unrelated business income. There was no unrelated business income for the years ended June 30, 2004 and 2003.

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, Delta considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

(2) Concentrations of Credit Risk

Financial instruments that potentially subject Delta to concentrations of credit risk consist principally of temporary cash investments and grant receivables.

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of June 30, 2004 and 2003, Delta had no significant concentrations of credit risk in relation to grant receivables.

Delta maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At June 30, 2004 total cash balances held at financial institutions was \$393,169. Of this amount, \$261,216 was secured by FDIC and the remaining \$131,953 was collateralized by pledged securities. At June 30, 2003 total cash balances held at financial institutions was \$327,529. Of this amount, \$278,301 was secured by FDIC and the remaining \$49,228 was collateralized by pledged securities.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at June 30, 2004 and 2003, but received after those dates.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

(4) Due To and Due From Other Funds

The following schedule represents amounts due to and due from other funds at June 30, 2004:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 32,500	\$ -
Head Start Program – due from Child Care		
Food Program	15,647	-
Child Care Food Program	-	15,647
Community Services Block Grant	-	14,500
Family Day Care Home Program	-	18,000
	<u>\$ 48,147</u>	<u>\$ 48,147</u>

The following schedule represents amounts due to and due from other funds at June 30, 2003:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Services	\$ 35,775	\$ 10,524
Head Start	-	2,144
Head Start program – due from Child Care		
Food Program – \$32,336	42,860	-
Child Care Food Program	-	32,336
Community Services Block Grant	2,144	8,300
Family Day Care Home Program	-	15,000
Low-Income Home Energy Assistance Program	-	12,475
	<u>\$ 80,779</u>	<u>\$ 80,779</u>

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

(5) Property and Equipment

Property and equipment consisted of the following at June 30, 2004:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Buildings	20-30 years	\$ 416,870	\$ -	\$ 416,870
Leasehold improvement	10-20 years	125,317	-	125,317
Furniture and equipment	5-10 years	242,983	749	243,732
Vehicles	5 years	557,763	-	557,763
Vehicles not in operation		33,138	-	33,138
Accumulated depreciation		(725,858)	(749)	(726,607)
Net investment in property and equipment		<u>\$ 650,213</u>	<u>\$ -</u>	<u>\$ 650,213</u>

Depreciation expense for the year ended June 30, 2004 was \$90,442.

Property and equipment consisted of the following at June 30, 2003:

	<u>Estimated Depreciable Life</u>	<u>Purchased With Federal Funds</u>	<u>Purchased With Non-Federal Funds</u>	<u>Total</u>
Buildings	20-30 years	\$ 391,570	\$ -	\$ 391,570
Leasehold improvement	10-20 years	101,500	-	101,500
Furniture and equipment	5-10 years	232,091	2,834	234,925
Vehicles	5 years	406,661	-	406,661
Accumulated depreciation		(652,394)	(2,834)	(655,228)
Net investment in property and equipment		<u>\$ 479,428</u>	<u>\$ -</u>	<u>\$ 479,428</u>

Depreciation expense for the year ended June 30, 2003 was \$80,799.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

(6) Refundable Advances

Delta records federal funds received in excess of expenditures as a refundable advance until they are expended for the purpose of the contract or until the funds are returned to the appropriate funding source.

(7) Contractual Revenue – Grants

During the years ended June 30, 2004 and 2003, Delta received contractual revenue from federal and state grants in the amount of \$3,470,634 and \$3,346,890, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(8) Retirement Plan

Delta participates in a tax deferred annuity plan whereby an amount equal to 5% of the salary of eligible employees is contributed to purchase annuity contracts with an insurance company. The annuities are in the *employee's name upon funding*. The amount contributed for the years ended June 30, 2004 and 2003 was \$38,220 and \$36,444, respectively.

(9) Accrued Liabilities

Accrued liabilities consisted of the following:

	<u>2004</u>	<u>2003</u>
Accrued leave payable	\$ 40,597	\$ 44,654
Payroll taxes payable	<u>15,111</u>	<u>8,747</u>
	<u>\$ 55,708</u>	<u>\$ 53,401</u>

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Notes to Financial Statements
June 30, 2004 and 2003
(Continued)

(10) Leases

Delta leases certain buildings and equipment under operating leases. Rental costs on those leases for the years ended June 30, 2004 and 2003, were as follows:

	2004	2003
Buildings	\$ 27,600	\$ 27,000
Equipment	27,595	20,911
	\$ 55,195	\$ 47,911

Commitments under lease agreements having initial remaining terms in excess of one year are as follows:

For the Year Ending <u>June 30,</u>			
2005		\$	22,501
2006			19,783
2007			18,152
2008			9,659
2009			1,959
Total minimum future rentals		\$	72,054

(11) Other Liabilities

Other liabilities consist of an amount due to the state from the agency's Family Day Care Home program. A repayment schedule was set up with the state to remit \$500 per month from non-federal funds until the balance is paid in full. The original amount due to the state was \$5,041. The balance owed as of June 30, 2003 was \$5,041. This balance was paid in full during the year ended June 30, 2004.

Another repayment schedule was set up with the state to remit \$500 per month from non-federal funds until the balance owed of \$2,816 is paid in full. The balance owed as of June 30, 2004 was \$2,316.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Combining Schedule of Financial Position
June 30, 2004

Assets	Head Start Program	Child Care Food Program	Community Service Block Grant	Home Energy Assistance	Family Day Care Services	Delta Recovery Program	Migrant Education	General Services	Total
Current assets:									
Cash	\$ 216,815	\$ 16,682	\$ 33,803	\$ 7,004	\$ 17,819	\$ 42,596	\$ 12,334	\$ 113,754	\$ 243,992
Grant receivables	15,647			3,447	86,000	10,660	611	4,132	321,665
Due from other funds								32,500	48,147
Total current assets	232,462	16,682	33,803	10,451	103,819	53,256	12,945	150,386	613,804
Property and equipment:									
Property and equipment	1,327,187		36,918		4,623	5,059	3,033		1,376,820
Accumulated depreciation	(678,278)		(36,821)		(4,093)	(5,059)	(2,356)		(726,607)
Total property & equipment	648,909		97		530		677		650,213
Total Assets	\$ 881,371	\$ 16,682	\$ 33,900	\$ 10,451	\$ 104,349	\$ 53,256	\$ 13,622	\$ 150,386	\$ 1,264,017
Liabilities and Net Assets									
Current liabilities:									
Accounts payable	\$ 209,899	\$ 1,035	\$ 1,605	\$	\$ 77,832	\$ 254	\$ 616	\$ 2,114	\$ 293,355
Accrued liabilities	22,563		9,727		2,236	3,354	2,092	15,736	55,708
Due to other funds		15,647	14,500		18,000				48,147
Other liabilities					2,316				2,316
Refundable advances			7,971	9,963	3,435	24,975	10,237		56,581
Total current liabilities	232,462	16,682	33,803	9,963	103,819	28,583	12,945	17,850	456,107
Net assets:									
Unrestricted:									
Operating				488		24,673		132,536	157,697
Fixed assets	648,909		97		530		677		650,213
Total net assets	648,909		97	488	530	24,673	677	132,536	807,910
Total Liabilities and Net Assets	\$ 881,371	\$ 16,682	\$ 33,900	\$ 10,451	\$ 104,349	\$ 53,256	\$ 13,622	\$ 150,386	\$ 1,264,017

Delta Community Action Association, Inc.
Tallulah, Louisiana
Combining Schedule of Activities
For the Year Ended June 30, 2004

	Head Start Program	Child Care Food Program	Community Services Block Grant	Home Energy Assistance	Family Day Care Services	Delta Recovery Program	Migrant Education	General Services	Total
Revenues and Other Support:									
Contractual revenue - grants	\$ 2,005,542	\$ 188,006	\$ 166,635	\$ 12,651	\$ 852,506	\$ 124,482	\$ 112,235	\$ 8,577	\$ 3,470,634
Miscellaneous revenues						11,658		282	11,940
Total revenues and other support	2,005,542	188,006	166,635	12,651	852,506	136,140	112,235	8,859	3,482,574
Expenses									
Salaries	930,511	95,799	114,292		76,753	82,807	37,890	2,095	1,340,147
Fringe benefits	239,454	25,426	23,884		19,839	14,076	13,216		335,895
Travel	27,292	1,601	6,886		5,661	4,505	7,678	607	54,230
Equipment	24,001		624		1,081				25,706
Occupancy	104,484	930	9,163		2,530	9,896		474	127,477
Telephone and postage	23,599	33	3,281		6,258	4,250	7,033	757	45,121
Insurance	42,187		799		413	2,300	202		45,901
Vehicle operation	63,475					1,261			64,736
Supplies	102,593	802	1,962		2,183	1,011	1,824	1,440	111,815
Professional services	74,133		2,509		3,350	4,298	41,773		126,063
Food and related supplies	89,860	62,157	250						132,267
Miscellaneous	41,811	1,258	2,985	11,697	985	78	1,004	5,698	65,516
Client assistance payments				954	733,453				734,407
Depreciation	86,359		2,827		354	357	545		90,442
Total expenses	1,829,669	188,006	169,462	12,651	852,860	124,839	111,165	11,071	3,299,723
Change in net assets	175,873		(2,827)		(354)	11,301	1,070	(2,212)	182,851
Net assets, beginning of year	473,036		2,924	488	884	13,372	2,227	132,128	625,059
Indirect cost transfer							(2,620)	2,620	
Net assets, end of year	\$ 648,909	\$	\$ 97	\$ 488	\$ 530	\$ 24,673	\$ 677	\$ 132,536	\$ 807,910

**Supplemental Information Schedules Prepared
For Grants and Contracts Analysis**

Delta Community Action Association, Inc.
Tallulah, Louisiana
Head Start Grant No. 06CH0393/13
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Contract Period: July 1, 2003 to June 30, 2004

Revenues:	<u>Approved Budget</u>	<u>Actual</u>	<u>COB Balance Current Year</u>
Amount awarded this budget period	\$ 1,943,127	\$ 1,943,127	
Grantee's contribution	485,782	390,225	
Total revenues	<u>2,428,909</u>	<u>2,333,352</u>	
Expenses:			
Personnel	1,053,964	930,511	\$ 123,453
Fringe benefits	282,791	239,455	43,336
Travel	25,000	17,456	7,544
Equipment	120,000	125,560	(5,560)
Facilities/construction	25,000		25,000
Supplies	72,133	117,282	(45,149)
Other	364,239	491,297	(127,058)
Head Start grant expenses	<u>1,943,127</u>	<u>1,921,561</u>	<u>\$ 21,566</u>
Grantee's share	<u>485,782</u>	<u>390,225</u>	
Total expenses	<u>\$ 2,428,909</u>	<u>2,311,786</u>	
Revenue over expenses		21,566	
Fund balance, beginning July 1, 2003		<u>71,975</u>	
Fund balance, ending June 30, 2004		<u>\$ 93,541</u>	

Delta Community Action Association, Inc.
Tallulah, Louisiana
Child and Adult Care Food Program
Head Start Food Service
Louisiana Department of Education
Schedule of Revenues and Expenditures
For the Contract Period: October 1, 2002 to September 30, 2003

Revenue:

Contract revenue	\$ 175,044
------------------	------------

Expenses:

Salaries	87,825
Fringe benefit	22,877
Other administrative costs	1,384
Non food supplies	85
Food service costs	62,873
	<hr/>
Total expenses	175,044

Excess revenue (expenses)

Fund balance, beginning October 1, 2002	<hr/>
---	-------

Fund balance, ending September 30, 2003	<hr/> <hr/> \$
---	-------------------

Delta Community Action Association, Inc.
Tallulah, Louisiana
Family Day Care Home Program
Louisiana Department of Education
Schedule of Revenues and Expenditures
For the Contract Period: October 1, 2002 to September 30, 2003

Revenue:

Contract revenue	\$ 806,939
------------------	------------

Expenses:

Salaries	76,308
Fringe benefit	19,097
Travel	6,191
Office costs	11,790
Operating costs	4,688
Provider payments	684,751

Total expenses	<u>802,825</u>
----------------	----------------

Excess revenue (expenses)	<u><u>\$ 4,114</u></u>
---------------------------	------------------------

Delta Community Action Association, Inc.
Tallulah, Louisiana
Delta Recovery Center
DOA Contract No. 351401304
Schedule of Revenues, Expenditures and Changes in Fund Balance
For the Contract Period: July 1, 2003 to June 30, 2004

	Budget	Actual	Actual (Over) Under Budget
Revenue:			
Contract revenue		\$ 125,347	
Miscellaneous revenue		11,658	
Total revenue		137,005	
Expenses:			
Salaries	\$ 82,807	82,807	\$
Fringe benefit	14,077	14,076	1
Travel	4,500	4,505	(5)
Operating services	19,121	17,784	1,337
Supplies	1,200	1,011	189
Professional services	7,856	4,298	3,558
Capital assets	100		100
Total federal expenditures	\$ 129,661	124,481	\$ 5,180
Excess revenue (expenses)		12,524	
Fund balance, beginning July 1, 2003		37,124	
Fund balance, ending June 30, 2004		\$ 49,648	

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2004

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Health and Human Services</u>			
Direct Programs:			
Head Start (Fy 06-30-04)	93.600	06CH0393/13	\$ 1,921,561
Passed through Louisiana Department of Labor Community Services Block Grant Community Food and Nutrition Program	93.569 93.571	2002N0038 & 2003N0038	156,658 250
Passed through Louisiana Housing Finance Agency Home Energy Assistance Program - Energy Temporary Assistance to Needy Families	93.568 93.558	Unknown Unknown	12,471 180
Passed through Louisiana Department of Health and Hospitals, Division of Alcohol and Drug Abuse Delta Recovery Center (Fy 06-30-04)	93.959	351401304	124,482
<u>U.S. Department of Education</u>			
Passed through Louisiana Department of Education Migrant Education	84.011	Fy-02 and Fy-03	112,235
<u>U.S. Department of Agriculture</u>			
Passed through Louisiana Department of Education Child and Adult Care Food Program (FDCH) (Fy 09-30-03) Child and Adult Care Food Program (FDCH) (Fy 09-30-04) Child and Adult Care Food Program (Head Start) (Fy 09-30-03) Child and Adult Care Food Program (Head Start) (Fy 09-30-04)	10.558 10.558 10.558 10.558	Unknown Unknown Unknown Unknown	212,748 639,758 33,258 154,748
<u>Federal Emergency Management Agency</u>			
Passed through a local governing board Emergency Food and Shelter (FEMA)	97.024	Unknown	109
Total federal expenditures			<u>\$ 3,368,458</u>

Note 1: The accompanying schedule of expenditures of federal awards is prepared on the accrual basis of accounting.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements
Performed in Accordance With *Government Auditing Standards*

To the Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

We have audited the financial statements of Delta Community Action Association, Inc. (a nonprofit organization) as of and for the year ended June 30, 2004, and have issued our report thereon dated October 22, 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 Delta Community Action Association, 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 Delta Community Action Association, 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. 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 Delta Community Action Association, Inc.'s 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 2004-B1.

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 over financial reporting that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

In addition, we noted certain other matters involving the internal control over financial reporting that we have reported to the management of Delta Community Action Association, Inc., in a separate management letter dated October 22, 2004.

This report is intended solely for the information and use of management, the Board of Directors 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.

A handwritten signature in black ink, appearing to read "Cook & Morehart", with a long, sweeping flourish extending to the right.

Cook & Morehart
Certified Public Accountants
October 22, 2004

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133

To the Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

Compliance

We have audited the compliance of Delta Community Action Association, Inc. (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 each of its major federal programs for the year ended June 30, 2004. Delta Community Action Association, Inc.'s major federal programs are 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 each of its major federal programs is the responsibility of Delta Community Action Association, Inc.'s management. Our responsibility is to express an opinion on Delta Community Action Association, Inc.'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 Delta Community Action Association, 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 Delta Community Action Association, Inc.'s compliance with those requirements.

As described in item 2004-C2 in the accompanying schedule of findings and questioned costs, Delta Community Action Association, Inc. did not comply with requirements regarding Equipment and Real Property Management that are applicable to its Head Start and Child and Adult Care Food programs. Compliance with such requirements is necessary, in our opinion, for Delta Community Action Association, Inc. to comply with requirement applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Delta Community Action Association, 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 June 30, 2004.

Internal Control Over Compliance

The management of Delta Community Action Association, Inc. 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 Delta Community Action Association, 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.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Delta Community Action Association, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-C1, 2004-C3, and 2004-C4.

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 the 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. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the conditions described above is a material weakness.

This report is intended solely for the information and use of management, the Board of Directors 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.



Cook & Morehart
Certified Public Accountants
October 22, 2004

Delta Community Action Association, Inc.
Tallulah, Louisiana
Summary Schedule of Prior Audit Findings
June 30, 2004

There were no findings for the prior year audit period ended June 30, 2004.

Schedule of Findings and Questioned Costs
June 30, 2004

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Delta Community Action Association, Inc.
2. One reportable condition is reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*. The condition is not reported as a material weakness.
3. No instances of noncompliance material to the financial statements of Delta Community Action Association, Inc. were disclosed during the audit.
4. Three reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. The conditions are not reported as material weaknesses.
5. The auditor's report on compliance for the major federal award programs for Delta Community Action Association, Inc. expresses a qualified opinion.
6. Findings relative to the major federal award programs for Delta Community Action Association, Inc. are reported in this Schedule.
7. The programs tested as major programs included: 1) Head Start Program CFDA #93.600, and 2) Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Delta Community Action Association, Inc. qualifies as a low-risk auditee.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2004
(Continued)

B. Findings – Financial Statements Audit

2004-B1 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the agency utilizes signature stamps and a check-signing machine for authorized signatures on checks. Individuals preparing the checks have access to the stamps and the check-signing machine.

Criteria and Effect: Adequate internal controls should provide that a single individual not have the ability to prepare checks and sign checks, thereby eliminating the review process.

Cause: Adequate controls concerning separation of duties were not established.

Recommendation: We recommend that adequate internal controls be established concerning separation of duties, and that individuals preparing checks not have access to signature stamps or the check-signing machine.

Response: DCAA has in place new procedures that ensure adequate internal controls concerning separation of duties, so that individuals preparing checks do not have access to signature stamps or the check-signing machine.

C. Findings and Questioned Costs – Major Federal Award Programs Audit

2004-C1 REPORTABLE CONDITION

As stated in 2004-B1, during our audit, we noted that the agency utilizes signature stamps and a check-signing machine for authorized signatures on checks. Individuals preparing the checks have access to the stamps and the check-signing machine.

2004-C2 FINDING

DEPARTMENT OF HEALTH AND HUMAN SERVICES – Head Start Program CFDA #93.600

DEPARTMENT OF AGRICULTURE – Child and Adult Care Food Program (Head Start and Family Day Care Home Programs)

CFDA #10.558

Statement of Condition: During our audit, we noted that the agency had not performed a physical inventory during the past two years.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2004
(Continued)

Criteria: OMB Circular A-133 Compliance Supplement, Part 3, Section F, "Equipment and Real Property Management" states that a physical inventory of equipment acquired under federal awards shall be taken at least once every two years and reconciled to the equipment records.

Effect of Condition: Agency was not in compliance with the equipment requirements for its major programs.

Cause: Adequate controls were not in place to ensure compliance with this requirement.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the equipment and real property management requirements, including performing a physical inventory at least once every two years and reconciling the results of the physical inventory to the equipment records.

Response: A physical inventory was in the process of being done at time of audit. DCAA will complete the inventory and will perform a physical inventory at least once every two years.

2004-C3 REPORTABLE CONDITION

DEPARTMENT OF HEALTH AND HUMAN SERVICES – Head Start Program CFDA #93.600

Statement of Condition: During our audit, we noted that the agency did not have adequate procedures in place to monitor compliance with the Matching requirement for its Head Start program. Although the required match was met, additional in-kind documentation had to be obtained during audit fieldwork to meet the match requirement.

Criteria: OMB Circular A-133 Compliance Supplement, Part 3, Section G, "Matching, Level of Effort, Earmarking Requirements" and Head Start program regulations set forth the requirement for a 20 percent in-kind / match for the Head Start program.

Effect of Condition: Agency was not in compliance with the Matching requirement for its Head Start program.

Cause: Adequate controls were not in place to ensure compliance with this requirement.

Recommendation: We recommend that the agency establish adequate controls to ensure compliance with the matching requirement, including periodic monitoring of the match throughout the program year.

Response: DCAA will establish a monthly monitoring system to ensure compliance with the matching requirements through out the program year.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Findings and Questioned Costs
June 30, 2004
(Continued)

2004-C4 REPORTABLE CONDITION

DEPARTMENT OF AGRICULTURE – Child and Adult Care Food Program (Head Start and Family Day Care Home Programs)
CFDA #10.558

Statement of Condition: During our audit, we tested 25 provider files for compliance with the eligibility requirements of the Family Day Care Home program. We noted that controls were not effective to ensure the accuracy and completeness of data used to make eligibility determinations and to ensure that all required forms and supporting documentation were maintained in participant files. Documentation for providers concerning enrollment forms, employment verification, and attendance reports were not complete.

Criteria: The rules and regulations covering eligibility and recordkeeping requirements for the FDCH program are found in Title 7 CFR Part 226.

Effect: Due to a lack of complete documentation in files examined during audit testwork, some children may have been served who were ineligible for the program.

Recommendation: We recommend that the agency develop a checklist to be used for each participant file to ensure that files are complete and contain all necessary information. In addition, the agency should assign someone with the responsibility for reviewing files on a continuing basis to ensure completeness of information.

Response: DCAA has developed a checklist to be used for each participant file and a staff person will use the checklist to ensure that each file is complete and contains all required information.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Prior Audit Findings For Louisiana Legislative Auditor
June 30, 2004

There were no findings in the previous audit for the year ended June 30, 2003.

There were eight management letter comments in the previous audit for the year ended June 30, 2003, as follows:

Prior Year Comment #1 – Fixed Assets

See finding in current year audit.

Prior Year Comment #2 – Payroll Transactions

See management letter comment in current year audit.

Prior Year Comment #3 – Family Day Care Home Program Excess Funds

A repayment plan was established with the state for repayment of the excess funds.

Prior Year Comment #4 – Payroll Process

See management letter comment in current year audit.

Prior Year Comment #5 – Payroll General Ledger

See management letter comment in current year audit.

Prior Year Comment #6 – Procurement

See management letter comment in current year audit.

Prior Year Comment #7 – Credit Card Payments

Improvement was noted.

Prior Year Comment #8 – Liheap Program File Exam

See management letter comment in current year audit.

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
June 30, 2004

There were four findings for the current year audit period ended June 30, 2004, as described in the accompanying Schedule of Findings and Questioned Costs.

There were 9 management letter comments for the current audit year ended June 30, 2004. Management's response to these is as follows:

Comment #1 – Payroll Transactions

Beginning January 2005, DCAA will utilize one pay rate authorization form for each employee, detailing the gross wages and the allocation of pay between our various programs and those authorizations will be updated each time employees' pay changes.

Beginning immediately authorizations for deductions will be updated before any amounts are deducted from an employees' pay.

Beginning immediately timesheets will be signed (signifying approval) by the employees' supervisor prior to payroll preparation.

Comment #2 – Family Day Care Home Program Excess Funds

DCAA will contact Louisiana Department of Education, Food and Nutrition section so that a determination can be made on the disposition of the excess funds of (\$3,146) listed in the audit.

Comment #3 – Payroll Process

An additional staff position will be created in the accounting department so that payroll will be processed in a timely manner and the amounts paid and leave balances are accurate.

Comment #4 – Payroll General Ledger

To ensure appropriate reimbursements by the various programs to the payroll account, DCAA will reconcile the payroll fund general ledger account monthly.

Comment #5 – Procurement

DCAA will institute a policy that requires the agency to obtain formal, written contracts for all major repair/renovation work. The agency will also conduct and document pricing analysis for such work. The agency will further implement procedures to ensure appropriate monitoring of such work for compliance with Davis Bacon requirements.

(Continued)

Delta Community Action Association, Inc.
Tallulah, Louisiana
Schedule of Current Audit Findings For Louisiana Legislative Auditor
June 30, 2004
(Continued)

Comment #6 – Liheap Program File Exam

All staff responsible for annualizing income and calculating benefits payments will be trained once per year or as often as necessary to ensure staff is adequately trained in annualizing income and calculating benefits payments. A supervisory review of applications and benefit calculations will be done by trained staff prior to benefit listing being sent to the state for payment.

Comment #7 – Migrant Contract

Beginning immediately DCAA will require the Tensas Parish School Board to attach to the payment request copies of documentation that support payment request.

Comment #8 – Head Start File Exam

All staff responsible for annualizing income will be trained once per year or as often as needed on how to annualize income. Calculations will be reviewed by someone other than the person doing the original calculation to ensure that the annual income levels used in determining eligibility are calculated correctly and documentation is placed in each applicant file.

Comment #9 – Migrant Financial Reports

DCAA will ensure that all financial reports will be reviewed and approved by the accounting department prior to submission to the funding source.

COOK & MOREHART

Certified Public Accountants

1215 HAWN AVENUE • SHREVEPORT, LOUISIANA 71107 • P.O. BOX 78240 • SHREVEPORT, LOUISIANA 71137-8240

TRAVIS H. MOREHART, CPA
A. EDWARD BALL, CPA
VICKIE D. NOBLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET.)

C. BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA
CERTIFIED PUBLIC ACCOUNTANTS

Management Letter

October 22, 2004

Board of Directors
Delta Community Action Association, Inc.
Tallulah, Louisiana

We have audited the financial statements of Delta Community Action Association, Inc. (Delta), for the year ended June 30, 2004, and have issued our report thereon dated October 22, 2004. In planning and performing our audit of the financial statements of Delta Community Action Association, Inc., we considered its 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.

During our audit certain matters were noted involving internal controls over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control or operations of Delta. These comments have been discussed with the appropriate members of management.

REPEAT COMMENTS FROM PRIOR YEAR:

(1) Payroll Transactions

During our testing of payroll transactions, we noted the following:

- Current pay rate authorizations were not always obtained when pay rates changed.
- Authorizations for deductions were not always updated when amounts deducted from employees' pay changed.
- Timesheet was not physically approved by an employee's supervisor for six transactions tested.

We recommend the following:

- The agency utilize one pay rate authorization form for each employee, detailing the gross wages and the allocation of pay between the various programs, and that those authorizations be updated each time employees' pay changes.
- Authorizations for deductions be updated timely when amounts deducted from employees' pay change.
- Timesheets should be physically approved by employees' supervisors prior to payroll preparation.

(2) Family Day Care Home Program Excess Funds

During our audit, we noted that the Family Day Care Home program had excess funds remaining at the end of its September 30, 2003, grant period, in the amount of \$3,146, as follows:

	<u>Admin</u>	<u>Provider</u>	<u>Total</u>
Grant Revenue	\$ 121,449	\$ 685,491	\$ 806,940
Grant Expenditures	118,152	685,642	803,794
Excess	<u>\$ 3,297</u>	<u>\$ (151)</u>	<u>\$ 3,146</u>

We recommend that the agency contact its funding source concerning the disposition of these funds.

(3) Payroll Process

During our audit, we noted that the agency's payroll process does not allow for adequate time to review / analyze time sheets prior to payroll preparation. For some employees, the agency was utilizing "full time – part time" summary sheets for payroll preparation, rather than actual time sheets, due to the cutoff date necessary to get payroll documentation turned in to the accounting department to process payroll timely. As a result of not using actual time sheets for some employees, the agency is unable to review annual and sick leave adjustments prior to payroll preparation for those employees.

We recommend that additional days be added between the pay period ending date and the date payroll checks are actually issued, to allow for appropriate review. We further recommend that the agency utilize actual time sheets for all payroll preparation and that annual and sick leave adjustments be reviewed prior to payroll preparation to ensure the accuracy of amounts paid and leave balances.

(4) Payroll General Ledger

During our audit, we noted that the payroll fund general ledger was over-funded by \$6,364. Of this amount, \$3,700 was due to an error in calculation of SUTA reimbursements from the various programs. The remaining \$2,664 was unable to be located/reconciled.

We recommend that the payroll fund general ledger be reconciled on a monthly basis to ensure appropriate reimbursements by the various programs.

(5) Procurement

During our audit, we noted that the agency contracted for renovations to temporary buildings for its Head Start program. The agency did not obtain formal, written contract agreements for the renovations, and there was no documentation of pricing analysis for this work. In addition, while the agency did obtain a signed statement from the contractor stating the contractor's compliance with Davis Bacon requirements, there was no documentation of the agency's monitoring of compliance with Davis Bacon requirements.

We recommend that the agency obtain formal, written contracts for all major repair / renovation work, and that the agency conduct and document pricing analysis for such work. We further recommend that the agency implement procedures to ensure appropriate monitoring of such work for compliance with Davis Bacon requirements.

(6) Liheap Program File Exam

During our testing of eligibility for the Liheap program, we noted that the agency was not always annualizing income correctly. Income levels are utilized in calculating benefit assistance payments to clients; as a result, benefit amounts could be affected by errors in annualizing income.

We recommend that the agency implement procedures to ensure that staff are appropriately trained in annualizing income and calculating benefit payments. We further recommend a supervisory review of applications and benefit calculations prior to benefit listings being sent to the state for payment.

NEW COMMENTS THIS YEAR:

(7) Migrant Contract

During our audit, we noted that the agency had a contract with a local school board for services to be paid from its Migrant Education Program. The agency did not receive documentation from the school board to support the contract payments made.

We recommend that appropriate documentation be obtained from the school board to support the payments made under this contract.

(8) Head Start File Exam

During our audit, we noted that the agency was not correctly calculating and /or documenting annual income levels used in determining eligibility for applicants of its Head Start program. The income calculations did not affect the eligibility of the participants tested.

We recommend that the agency implement procedures to ensure that annual income levels used in determining eligibility are calculated correctly and documented in applicant files.

(9) Migrant Financial Reports

During our testing of the Migrant financial reports sent to the state, we noted that the individual line items were not always in agreement with the agency's general ledger.

We recommend that financial reports be reviewed and approved by the accounting department prior to submission.

We express sincere thanks to Delta personnel for the cooperation and assistance provided us during our audit. We are available to provide you assistance and consultation in the implementation of the above mentioned items. This letter is furnished solely for the use of management and the Board of Directors and is not intended to be used for any other purpose.



Cook & Morehart
Certified Public Accountants