

SOUTHWEST LOUISIANA LEGAL SERVICES SOCIETY, INC.**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT****Year Ended December 31, 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 9-29-04

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana

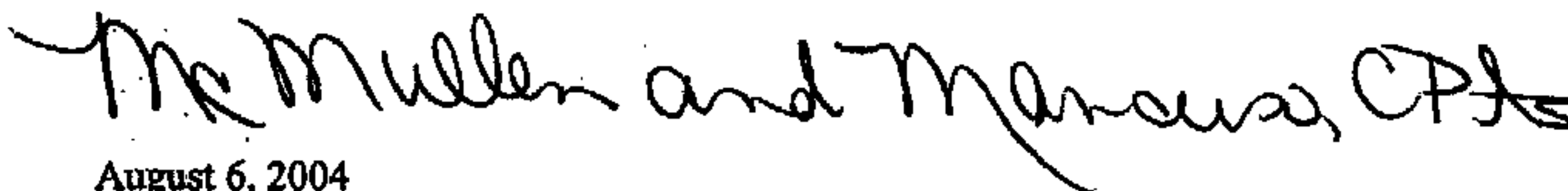
We have audited the accompanying statements of financial position of Southwest Louisiana Legal Services Society, Inc. (a non-profit organization) as of December 31, 2003 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization'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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Southwest Louisiana Legal Services Society, Inc. as of December 31, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Governmental Auditing Standards*, we have also issued our report dated August 6, 2003, on our consideration of Southwest Louisiana Legal Services Society, Inc.'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 in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

McMullen and Mancuso, CPAs


August 6, 2004

Members
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SOUTHWEST LOUISIANA LEGAL SERVICES SOCIETY, INC.

STATEMENT OF FINANCIAL POSITION

As of December 31, 2003

ASSETS

Current Assets

Cash and Cash Equivalents	\$	18,779
Restricted Cash - Client Escrow Funds (Note A4)		24,617
Accounts Receivable		39,202
Grants Receivable (Note F)		6,972
Unconditional Promise to Give (Note I)		50,000
Due from Employees		287
Prepaid Expenses		<u>1,117</u>

Total Current Assets 140,974

Noncurrent Assets

Miscellaneous Receivable		7,909
Furniture, Fixtures, and Equipment		151,132
Accumulated Depreciation		(133,205)
Law Library		<u>139,840</u>

Total Noncurrent Assets 165,676

Other Assets

Deposits		<u>1,075</u>
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Total Assets \$ 307,725

LIABILITIES AND NET ASSETS

Current Liabilities

Accounts Payable	\$	11,952
Accrued Liabilities (Note B)		8,972
Client Trust Deposits (Note A4)		<u>25,313</u>

Total Current Liabilities 46,237

Total Liabilities 46,237

Net Assets

Unrestricted		211,488
Temporarily Restricted		<u>50,000</u>

Total Net Assets 261,488

Total Liabilities and Net Assets \$ 307,725

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

SOUTHWEST LOUISIANA LEGAL SERVICES SOCIETY, INC.

STATEMENT OF ACTIVITIES

Year Ended December 31, 2003

	2003		
	TEMPORARILY		
	UNRESTRICTED	RESTRICTED	TOTAL
PUBLIC SUPPORT AND REVENUES			
Government Grants	\$ -	\$ 117,500	\$ 117,500
Other Grants	3,613	4,000	7,613
United Way Contributions	50,000	50,000	100,000
In Kind Contributions (Note C)	96,176	-	96,176
Operating Income - Fees	207,061	-	207,061
Miscellaneous Income	158	-	158
Net Assets Released From Restrictions:	121,500	(121,500)	-
Total Public Support and Revenues	<u>478,508</u>	<u>50,000</u>	<u>528,508</u>
EXPENSES			
Program Service	403,516	-	403,516
Supporting Services:			
Management and General	55,439	-	55,439
Total Expenses	<u>458,955</u>	<u>-</u>	<u>458,955</u>
CHANGE IN NET ASSETS	19,553	50,000	69,553
NET ASSETS AT BEGINNING OF YEAR, AS ORIGINALLY REPORTED	178,957	-	178,957
PRIOR PERIOD ADJUSTMENTS (Note H)	12,978	-	12,978
NET ASSETS AT BEGINNING OF YEAR, AS RESTATED	<u>191,935</u>	<u>-</u>	<u>191,935</u>
NET ASSETS AT END OF YEAR	<u>\$ 211,488</u>	<u>\$ 50,000</u>	<u>\$ 261,488</u>

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

SOUTHWEST LOUISIANA LEGAL SERVICES SOCIETY, INC.

STATEMENT OF FUNCTIONAL EXPENSES

Year ended December 31, 2003

	<u>Program Services</u>	<u>Supporting Services</u>	<u>Total Program and Supporting Service Expense</u>
			2003
Salaries	\$ 101,301	\$ 13,964	\$ 115,265
Payroll Taxes	8,923	1,068	9,991
Employee Benefits	46,214	6,906	53,120
Contractual Services	130,956	2,424	133,380
Advertising	2,241	249	2,490
Bank and Retirement Plan Fees	3,360	-	3,360
Equipment Rental and Maintenance	8,737	1,502	10,239
Insurance	6,442	1,235	7,677
Litigation Cost	349	14,672	15,021
Membership Fees	2,788	-	2,788
Other Costs	2,481	555	3,036
Office Supplies & Expense	5,544	617	6,161
Postage and Shipping	2,321	257	2,578
Professional Fees	6,200	-	6,200
Rent	52,712	9,302	62,014
Telephone	4,091	721	4,812
Travel & Training	9,973	400	10,373
	<u>394,633</u>	<u>53,872</u>	<u>448,505</u>
Total Before Depreciation			
Depreciation	<u>8,883</u>	<u>1,567</u>	<u>10,450</u>
Total Expenses	<u>\$ 403,516</u>	<u>\$ 55,439</u>	<u>\$ 458,955</u>

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

SOUTHWEST LOUISIANA LEGAL SERVICES SOCIETY, INC.
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

Cash Flows From Operating Activities	
Change in Net Assets	\$ 69,553
Adjustments to reconcile change in net assets to net cash used by operating activities:	
Depreciation Expense	10,451
(Increase) Decrease in Assets:	
Restricted Cash - Client Escrow Funds	4,866
Receivables	(17,063)
Unconditional Promise to Give	(50,000)
Due from Employees	502
Prepaid Expenses	7,105
Increase (Decrease) in Liabilities:	
Accounts Payable	9,957
Accrued Liabilities	(1,920)
Client Trust Deposits	<u>(4,867)</u>
Net Cash Provided by Operating Activities	28,584
Cash Flows From Investing Activities	
Purchase of Equipment	<u>(4,448)</u>
Net Cash Used by Investing Activities	(4,448)
Cash Flows From Financing Activities	
Forgiveness of United Way Loan	<u>(20,000)</u>
Net Cash Provided (Used) by Financing Activities	<u>(20,000)</u>
Net Decrease in Cash and Cash Equivalents	4,136
Cash and Cash Equivalents, Beginning January 1, 2003	<u>14,643</u>
Cash and Cash Equivalents, Ending December 31, 2003	\$ <u><u>18,779</u></u>

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

Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana

Notes to the Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. **Organization and Purpose**

Southwest Louisiana Legal Services Society, Inc. (SWLLS) is a non-profit corporation organized for the purpose of providing legal assistance in non-criminal proceedings or matters to persons unable to afford such services. The following describes briefly certain significant accounting policies.

2. **Basis of Accounting**

The financial statements have been prepared using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

3. **Financial Statement Presentation**

The financial statement presentation follows the recommendation 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 Southwest Louisiana Legal Services Society, Inc. is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, which represent the expendable resources that are available for operations at management's discretion; temporarily restricted net assets, which represent resources restricted by donor's as to purpose or by the passage of time; and permanently restricted net assets, which represent resources whose use by the organizations is limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by actions of the Organization. The Organization did not have any permanently restricted net assets this year.

4. **Restricted Cash – Client Escrow Funds**

Monies deposited with Southwest Louisiana Legal Services Society, Inc. by its clients are deposited into separate cash accounts to be used only in connection with the related litigation.

5. **Concentration of Revenue and Support**

The majority of the revenue and support for the Organization is provided by fees generated for legal services from the geographic region of Southwest Louisiana encompassing five parishes. In addition, various federal, state, and local grants, as well as the United Way of Southwest Louisiana, contribute to the funding of the Organization.

Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana

Notes to the Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6. Income Taxes

Southwest Louisiana Legal Services Society, Inc. is exempt from Federal income taxes under Section 501(c) (3) of the Internal Revenue Code and, accordingly, no provision for income taxes is included in the financial statements. In addition, Southwest Louisiana Legal Services Society, Inc. has been determined by the Internal Revenue Service not to be a "private foundation" within the meaning of Section 509 (a) (2) of the Code.

7. Fixed Assets

Fixed assets are recorded at cost, when purchased, or if donated, at the estimated fair value on the date of donation. All acquisitions in excess of \$250 and all expenditures for repairs, maintenance, renewals, and betterment that materially prolong the useful lives of assets are capitalized. Depreciation is provided over the estimated useful lives of the respective assets using the straight-line method. The following is a summary of the estimated useful lives used:

Furniture and equipment	3-10 years
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8. Law Library

Southwest Louisiana Legal Services Society, Inc. capitalizes the costs of books, reference materials, and multiple volume sets of law books. Southwest Louisiana Legal Services Society, Inc. estimates that the salvage value of its law library approximates the original cost and, accordingly, depreciation expense is not recorded.

9. Cash and Cash Equivalents

For reporting purposes, cash and cash equivalents include demand deposits and certificates of deposit with an original maturity of 90 days or less.

10. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana

Notes to the Financial Statements
December 31, 2003

NOTE B - ACCRUED LIABILITIES

Included in accrued liabilities is annual leave, which vests with the employee and is payable upon termination totaling \$2,470 at December 31, 2003. Maximum annual leave amounts which can be carried over to subsequent years are 7.5 days per employee without board approval. Also included in accrued liabilities is \$5,597 of accrued wages and salaries at December 31, 2003. The remaining balance in accrued liabilities represents payroll taxes and payroll withholdings.

NOTE C - IN KIND CONTRIBUTIONS

Contributed services and space are recognized both as support and expenses and therefore do not affect Southwest Louisiana Legal Services Society, Inc.'s net assets. Contributed services are valued at the rate normally charged in this area for similar services. Contributed space is valued at rates normally charged for comparable space. Contributed materials are valued at fair market value at the date of donation.

At December 31, 2002, the Organization had a note with the United Way totaling \$20,000. On January 30, 2003, the United Way forgave the debt and the \$20,000 was recognized as an unrestricted contribution.

In Kind Contributions received during the year ended December 31, 2003 were valued as follows:

Contract Services	\$ 30,000
Debt Forgiveness	20,000
Donated Space	<u>46,176</u>
Total	\$ 96,176

NOTE D - LEASE OF FACILITIES

Southwest Louisiana Legal Services Society, Inc. entered into a one-year lease agreement on January 1, 1996 with an optional continuance on a month-to-month basis beginning January 1, 1997 for the rental of office space in Magnolia Life Building, Lake Charles, Louisiana. At January 1, 1997, Southwest Louisiana Legal Services Society, Inc. began the month-to-month option. Rent expense for the year ended December 31, 2003 was \$15,000.

NOTE E - RETIREMENT PLAN

Effective April 1, 1995, Southwest Louisiana Legal Services Society, Inc. established a 403 (b) retirement plan for those employees who meet the eligibility requirements set forth in the plan. The amount of employer contributions to the plan is equal to fifty percent of the basic employee contribution made by each participant during the plan year (up to 3% match). No contributions were made to the plan for the year ended December 31, 2003.

**Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana**

**Notes to the Financial Statements
December 31, 2003**

NOTE F - GRANT FUNDS RECEIVABLE

The following details grant funds receivable as of December 31, 2003

Funding Source

State of Louisiana Department of Health and Hospitals Office of Public Health	\$ 5,881
State of Louisiana Department of Social Services Office of Family Support	125
Calcasieu Council on Aging, Inc.	150
Allen Council on Aging, Inc.	216
Jeff Davis Council on Aging, Inc.	<u>600</u>
Total	\$ 6,972

NOTE G - OPERATING LEASE COMMITMENT

Southwest Louisiana Legal Services Society, Inc. leases office equipment under a non-cancelable operating lease with a term of 60 months. Rent expense for the year ended December 31, 2003 was \$8,304. The following is a schedule by years of future minimum rentals under the lease at December 31, 2003:

Due December 31,	
2004	\$ 8,304
2005	8,304
2005	<u>2,768</u>
Total Minimum Lease Payments	\$ 19,376

NOTE H - PRIOR PERIOD ADJUSTMENTS

During the year ended December 31, 2003 the Southwest Louisiana Legal Services Society, Inc. discovered errors made in the prior period. Southwest Louisiana Legal Services Society, Inc. erroneously overstated employee disability insurance expense by \$3,288 and workers compensation insurance expense by \$3,908. Additionally, Southwest Louisiana Legal Services Society, Inc. erroneously understated accounts receivable and operating revenues by \$5,782. Adjustments correcting these errors resulted in an increase of \$12,978 to unrestricted net assets, as of December 31, 2003.

**Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana**

**Notes to the Financial Statements
December 31, 2003**

NOTE I - UNCONDITIONAL PROMISE TO GIVE

During the year ended December 31, 2003, the Organization received its United Way allocation. This allocation is temporarily restricted as to time of receipt and is properly reflected in the accompanying Statement of Activities as an increase in temporarily restricted net assets. The amount to be received in less than one year is \$50,000.

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

Board of Directors
Southwest Louisiana Legal Services Society, Inc.
Lake Charles, Louisiana

We have audited the financial statements of Southwest Louisiana Legal Services Society, Inc. (a nonprofit corporation) as of and for the year ended December 31, 2003, and have issued our report thereon dated August 6, 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 Southwest Louisiana Legal Services Society, 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 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 Southwest Louisiana Legal Services Society, 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 certain matters involving the internal control over financial reporting 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 financial reporting that, in our judgment, could adversely affect Southwest Louisiana Legal Services, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. During the audit, we noted the following reportable condition. The Organization has not implemented control procedures over accounts receivable for client fees.

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

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over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions to be material weaknesses. However, we consider the reportable condition described above to be a material weakness.

This report is intended solely for the information and use of the board of directors, management, and the Legislative Auditor and is not intended to be and should not be used by anyone other than these specified parties.

McMullen and Mancuso, CPAs

August 6, 2004

Southwest Louisiana Legal Services Society, Inc.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2003

We have audited the financial statements of The Southwest Louisiana Legal Services Society, Inc. as of and for the year ended December 31, 2003, and have issued our report thereon dated August 6, 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. Our audit of the financial statements as of December 31, 2003 resulted in an unqualified opinion.

Section I Summary of Auditor's Reports

a. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Material Weaknesses Yes No Other Conditions Yes No

Compliance

Compliance Material to Financial Statements Yes No

Section II Financial Statement Findings

2003-1 The Organization should maintain adequate controls over accounts receivable for client fees. We found that they have not implemented control procedures over accounts receivable for client fees. Accounts receivable and revenue is not properly safeguarded, which makes it susceptible to misappropriation or loss without the Organization's knowledge. Attorneys are responsible for their own billing. Information was supplied to the bookkeeper for inclusion in the accounting records as of the last day of the fiscal year only. It is our understanding that the Organization has purchased software that can be utilized to properly maintain accounts receivable. All attorneys should utilize this application. And all deposits in the trust accounts should be reconciled to the receipts entered in the accounts receivable software.

2003-2 The Organization did not satisfy the reporting requirement of the Louisiana Legislative Auditor as the audit report for the year ended December 31, 2003 was not submitted within six months of the close of the reporting period.

Southwest Louisiana Legal Services Society, Inc.

SCHEDULE OF PRIOR YEAR FINDINGS

Year Ended December 31, 2003

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS		
There were no internal control or compliance findings in the prior year.		
SECTION II - MANAGEMENT LETTER		
MC-1	Attorney revenue and expenses not recorded on an accrual basis.	Resolved.
MC-2	Bank reconciliations for the operating account not completed timely. Also, unusual reconciling items and old outstanding checks not dealt with timely.	Resolved.
MC-3	Review policy on status of attorneys whom are considered employees and also receive compensation on a "contract labor basis."	Partially Resolved. Management is currently enacting policy on status of attorneys as employees.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT

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August 6, 2004

To the Management and
The Board of Directors of
Southwest Louisiana Legal Services Society, Inc.

In planning and performing our audit of the financial statements of Southwest Louisiana Legal Services Society, Inc. for the year ended December 31, 2003, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. We previously reported on the Organization's internal control in our report dated August 6, 2004. This letter does not affect our report dated August 6, 2004 on the financial statements of Southwest Louisiana Legal Services Society, Inc.

We will review the status of these comments during our next audit engagement. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

MC-1 - Improve the Effectiveness of the Board of Directors

We noted that the Board of Directors does not meet regularly. During the year ended December 31, 2003 the Board only met once. The corporate by-laws require the Board to meet at least quarterly. We believe that the Board's effectiveness could be improved by considering the responsibilities of a Board and evaluating the Board member's performance in areas, such as regular attendance and participations at Board meetings.

The following are some ways in which the Board meetings could be made more productive:

- Meet regularly, at least quarterly if not monthly.
- Give Board members an agenda and supporting information in advance of the meeting so that they have enough time to review them.
- Adhere to the agenda and defer to the next meeting matters not on the agenda or not urgent.
- Prepare written minutes with enough detail about discussions, decisions, and authorizations, and make them available to Board members before the next meeting.
- Solicit active participation in discussions of agenda items from all Board members.

The Board's effectiveness and efficiency could also be improved by establishing committees composed of members with the relevant knowledge and skills to work in key areas such as finance, facilities, personnel, and long-range planning.

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MC-2 - Personal Use of Laptop Computer by Employee

The Organization keeps a laptop computer available for employees to use for one of the federal grant programs. It was discovered that one of the Attorneys was using the laptop computer for personal reasons. The discovery was made only because the laptop computer was damaged and in need of repairs. Therefore, a technician was called in to service the computer.

Because they are relatively small and portable, laptop computers and the information they contain are highly susceptible to loss. Thus, we recommend that procedures be improved relating to the security of the computers and data stored on them. Employees should be instructed not to use the computer for personal reasons, and random reviews of the operating systems by a technician should be conducted.

MC-3 - Close Inactive Trust Bank Accounts

At present, the Organization maintains trust accounts that have not had any activity in the last few years. Inactive bank accounts can be susceptible to misuse by someone seeking to misappropriate cash. Thus, we recommend that management appraise the need for the existing bank accounts and contact the Louisiana Department of Revenue concerning the distribution of monies in these accounts.

MC-4 - Nepotism Violation

In reviewing the Personnel Manual, we noticed that nepotism is prohibited as part of the General Hiring Policy. It states that no employee may be selected or moved to a position that is supervised or reviewed directly by another employee or board member who is a member of his or her immediate family. The organizational chart shows the Bookkeeper reports directly to the Executive Director. As the Executive Director and Bookkeeper are married, we believe this to be a direct violation of the policy. We recommend that the Board of Directors consider revising the Personnel Manual and organizational chart to allow for the current employment arrangement.

MC-5 - Abatement of Penalty

During the audit, we noted that the Organization paid in excess of \$10,000 in penalties for Form 941 taxes that were not paid timely in previous years. As this is a large amount of money to the Organization, and reasonable cause for late payment appears to exist, we recommend the filing of Form 843 for possible abatement of penalties.

MC-6 - Contract Audit Requirement

In reviewing the contract between the Southwest Louisiana Legal Society Services, Inc. and the Calcasieu Council on Aging, Inc. (CCOA), we noticed the contract calls for the Organization to have a Single Audit. However, the Organization no longer meets the requirements of a Single Audit. Therefore, we recommend the Organization evaluate their contract arrangement with the CCOA as it relates to this requirement.

MC-7 - Inventory Fixed Assets

We recommend that the Organization perform a physical inventory of property and equipment. In connection with this inventory, tags should be placed on each asset with numbers that are recorded in the detail property records. This will help improve the tracking of assets for disposal and impairment purposes.

We wish to thank the Executive Director and the Bookkeeper for their support and assistance during our audit.

The preceding comments and recommendations are intended solely for the information and use of the Board of Directors and management, and is not intended to be used by anyone other than the specified parties.


McMullen and Mancuso, CPAs

Southwest Louisiana Legal Services Society, Inc.

MANAGEMENT'S CORRECTIVE ACTION PLAN

Year Ended December 31, 2003

SECTION I - INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS	
2003-1 The Organization has not implemented control procedures over accounts receivable for client fees.	Management has purchased software that can be utilized to maintain accounts receivable. All attorneys in the firm will use the software and reconciliation will be performed between deposits in trust accounts and receipts posted to the software.
2003-2 The Organization did not submit the audit for the year ended December 31, 2003 within six months of the close of the reporting period to the Louisiana Legislative Auditor.	Management will ensure future audits will be submitted to the Louisiana Legislative Auditor within six months of the close of the reporting period.
SECTION II - MANAGEMENT LETTER	
MC-1 Improve the effectiveness of the Board of Directors.	Some of the Board members have voluntarily resigned as they were unable to fulfill their duties; a new Board is currently being selected.
MC-2 Personal use of laptop computer by employee.	The employee will be responsible for repair costs to the computer; Management will have random reviews conducted of asset.
MC-3 Close inactive trust bank accounts	Management will contact the proper authoritative body concerning distribution of monies in these accounts.
MC-4 Nepotism violation	Management will submit a proposal to the Board requesting a revision in the personnel manual and organizational chart.
MC-5 Abatement of penalty	The bookkeeper will file Form 843 for possible abatement of penalties.
MC-6 Contract audit requirement	Management will evaluate the contracts and contact the Councils' regarding the Single Audit requirements in the contracts.
MC-7 Inventory fixed assets	Management will begin tagging assets with the 2003 acquisitions.

THIS SCHEDULE HAS BEEN PREPARED BY MANAGEMENT