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ST. MARY ASSOCIATION FOR  
RETARDED CITIZENS, INC.  
Centerville, Louisiana

ANNUAL FINANCIAL REPORT

June 30, 2009

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 2/3/10

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

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# KOLDER, CHAMPAGNE, SLAVEN & COMPANY, LLC

CERTIFIED PUBLIC ACCOUNTANTS

C. Burton Kolder, CPA\*  
Russell F. Champagne, CPA\*  
Victor R. Slaven, CPA\*  
P. Troy Courville, CPA\*  
Gerald A. Thibodeaux, Jr., CPA\*  
Robert S. Carter, CPA\*  
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Allen J. LaBry, CPA  
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Alan M. Taylor, CPA  
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Wanda F. Arcement, CPA, CVA  
Kristin B. Deuzal, CPA  
Richard R. Anderson Sr., CPA  
Carolyn C. Anderson, CPA

Retired:  
Conrad O. Chapman, CPA\* 2006  
Harry J. Cloatio, CPA 2007

\* A Professional Accounting Corporation

## OFFICES

183 South Beadle Rd.  
Lafayette, LA 70508  
Phone (337) 232-4141  
Fax (337) 232-8660

450 East Main Street  
New Iberia, LA 70560  
Phone (337) 367-9204  
Fax (337) 367-9208

113 East Bridge St.  
Breaux Bridge, LA 70517  
Phone (337) 332-4020  
Fax (337) 332-2867

200 South Main Street  
Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

1234 David Dr. Ste 203  
Morgan City, LA 70380  
Phone (985) 384-2020  
Fax (985) 384-3020

1013 Main Street  
Franklin, LA 70538  
Phone (337) 828-0272  
Fax (337) 828-0290

408 West Cotton Street  
Ville Platte, LA 70586  
Phone (337) 363-2792  
Fax (337) 363-3049

133 East Weddell St.  
Marraville, LA 71351  
Phone (318) 253-9252  
Fax (318) 253-8981

332 West Sixth Avenue  
Oberlin, LA 70655  
Phone (337) 639-4737  
Fax (337) 639-4568

621 Main Street  
Pineville, LA 71360  
Phone (318) 442-4421  
Fax (318) 442-8633

WEB SITE:  
[WWW.KCGRCPAS.COM](http://WWW.KCGRCPAS.COM)

## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors  
St. Mary Association for Retarded Citizens, Inc.  
Centerville, Louisiana

We have audited the accompanying statement of financial position of the St. Mary Association for Retarded Citizens, Inc. (a nonprofit organization) as of June 30, 2009 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the St. Mary Association for Retarded Citizens, Inc.'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 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 the St. Mary Association for Retarded Citizens, Inc. as of June 30, 2009, 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 *Government Auditing Standards*, we have also issued a report dated December 30, 2009, on our consideration of the St. Mary Association for Retarded Citizens, Inc.'s internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an

integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Holder, Champagne, Staven & Company, LLC*  
Certified Public Accountants

Franklin, Louisiana  
December 30, 2009

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Statement of Financial Position  
June 30, 2009

**ASSETS**

Current assets:	
Cash and cash equivalents	\$177,579
Receivables	
Due from other agencies	12,282
Prepaid insurance	<u>1,897</u>
Total current assets	<u>191,758</u>
Fixed assets:	
Buildings and improvements	145,138
Furniture and equipment	94,312
Vehicles	<u>241,258</u>
	480,708
Less: accumulated depreciation	<u>(370,698)</u>
	<u>110,010</u>
Total assets	<u>\$ 301,768</u>

**LIABILITIES AND NET ASSETS**

Current liabilities:	
Accounts payable and accrued expenses	\$ 1,891
Accrued and withheld payroll taxes	<u>3,856</u>
Total current liabilities	5,747
Net assets:	
Unrestricted net assets	<u>296,021</u>
Total liabilities and net assets	<u>\$ 301,768</u>

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

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Statement of Activities  
Year Ended June 30, 2009

	<u>Unrestricted</u>
SUPPORT AND REVENUE:	
Support:	
Appropriations from local governments	\$ 13,000
Contributions	<u>46,834</u>
Total support	<u>59,834</u>
Revenue:	
Program service fees	36,883
Membership fees	3,454
Medicaid/Medicare	231,040
Other	<u>11,057</u>
Total revenue	<u>282,434</u>
Total support and revenue	<u>342,268</u>
EXPENSES:	
Program services:	
Adult habilitation	276,156
Support services:	
General and administrative	<u>32,622</u>
Total expenses	<u>308,778</u>
Change in net assets	33,490
Net assets, beginning of year	<u>262,531</u>
Net assets, end of year	<u>\$ 296,021</u>

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

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Statement of Cash Flows  
Year Ended June 30, 2009

<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Change in net assets	\$ 33,490
Adjustments to reconcile change in net assets to net cash provided by operating activities	
Depreciation	24,412
Increase in accounts receivable	(1,381)
Decrease in accounts payable and accrued expenses	<u>(2,695)</u>
Net cash provided by operating activities	<u>53,826</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Purchases of property and equipment	<u>(2,061)</u>
Net cash used by investing activities	<u>(2,061)</u>
Increase in cash and cash equivalents	51,765
Cash and cash equivalents, beginning of year	<u>125,814</u>
Cash and cash equivalents, end of year	<u>\$177,579</u>
Supplemental Information:	
Interest Paid	\$ -
Taxes Paid	<u>\$ -</u>

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

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Statement of Functional Expenses  
Year Ended June 30, 2009

	Program Services		Total Expenses
	Adult Habilitation	General and Administrative	
Salaries	\$ 148,731	\$ 18,078	\$ 166,809
Payroll taxes	11,504	1,397	12,901
Total salaries and related expenses	160,235	19,475	179,710
Conference and meetings	2,002	-	2,002
Dues	-	1,896	1,896
Insurance	31,021	3,340	34,361
Office expense	6,320	884	7,204
Postage	-	507	507
Professional fees	2,027	4,400	6,427
Program service supplies	875	-	875
Repairs and maintenance	9,217	1,024	10,241
Supplies	2,140	238	2,378
Telephone	1,810	201	2,011
Thrift store occupancy	676	-	676
Thrift store rent	6,600	-	6,600
Transportation	20,170	-	20,170
Utilities	7,192	584	7,776
Miscellaneous	1,459	73	1,532
Total expenses before depreciation	251,744	32,622	284,366
Depreciation expense	24,412	-	24,412
 Total expenses	 <u>\$ 276,156</u>	 <u>\$ 32,622</u>	 <u>\$ 308,778</u>

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



ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Activities

St. Mary Association for Retarded Citizens, Inc. ("Association") operates a non-profit school located in Centerville, Louisiana. The Association provides adult day services to the mentally retarded adults of St. Mary Parish. Individuals perform a wide variety of vocational activities such as recycling, horticulture, and janitorial. The Association is supported primarily through Medicare/Medicaid waiver and support reimbursements from the Louisiana Department of Health and Hospitals - Office for Citizens with Developmental Disabilities.

Income Tax Status

The Association is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

Estimates

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

Cash and Cash Equivalents

Cash equivalents consist of short-term, highly liquid investments which are readily convertible into cash within ninety (90) days of purchase. At June 30, 2009 there were no cash equivalents.

Basis of Accounting

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

Property and Equipment

Property and equipment are capitalized at cost. It is the Association's policy to capitalize expenditures for these items in excess of \$500. Lesser amounts are expensed. Depreciation is computed using the straight line method over the estimated useful lives of the respective assets. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is reflected in income for the period.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Notes to Financial Statements (Continued)

Contributed Service

The Association receives volunteer services from individuals throughout the year performing a variety of tasks that assist the Association at the center. Consistent with generally accepted accounting principles for not-for-profit organizations, the value of contributed services by unpaid volunteers is not reflected on these statements because the services received did not enhance non-financial assets and the organization would not pay for these services if they were not donated.

Financial Statement Presentation

The Association has presented its financial statements in accordance with generally accepted accounting principles for not-for-profit organizations. Under this guidance, the Association 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. In addition, the Association is required to present a statement of cash flows.

Contributions

Under generally accepted accounting principles for not-for-profit organizations, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions.

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 restricted.

Support and Revenue

The Association receives Medicare/Medicaid payments for billable client services. Revenues for these services are recorded when earned.

Program Revenue

The Association receives program service fees from janitorial services, recycling programs, and selling of second hand items. Support and revenue are recognized when earned.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Notes to Financial Statements (Continued)

NOTE 2: DUE FROM OTHER AGENCIES

As of June 30, 2009, amounts due from other agencies were comprised of:

Medicaid/Medicare:

Louisiana Department of Health and Hospitals \$ 12,282

NOTE 3: CONTINGENT LIABILITIES

The Association receives grants and funding from governmental agencies that are subject to review and audit by the agencies providing the funding. Such reviews and audits could result in expenses being disallowed under the terms and conditions of the grants and agreements. In the opinion of management, such disallowances, if any, would be immaterial.

**INTERNAL CONTROL, COMPLIANCE AND OTHER MATTERS**

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Fax (337) 332-2887

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Abbeville, LA 70510  
Phone (337) 893-7944  
Fax (337) 893-7946

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Morgan City, LA 70380  
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Franklin, LA 70538  
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Fax (337) 828-0260

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Fax (318) 253-8881

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Fax (337) 639-4568

621 Main Street  
Pineville, LA 71380  
Phone (318) 442-4421  
Fax (318) 442-9833

WEB SITE  
[WWW.KCSRPCAS.COM](http://WWW.KCSRPCAS.COM)

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

To the Board of Directors of  
St. Mary Association for Retarded Citizens, Inc.  
Centerville, Louisiana

We have audited the financial statements of the St. Mary Association for Retarded Citizens, Inc. (a non-profit organization) as of and for the year ended June 30, 2009, and have issued our report thereon dated December 30, 2009. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the St. Mary Association for Retarded Citizens, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Mary Association for Retarded Citizens, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the St. Mary Association for Retarded Citizens, Inc.'s internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect

misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control. We consider the deficiencies described as items 2009-1 and 2009-2 in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Mary Association for Retarded Citizens, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 or other matters that are required to be reported under *Government Auditing Standards*.

The St. Mary Association for Retarded Citizens, Inc.'s response to the findings identified in our audit is described in the accompanying schedule of management's response and corrective action plan for current year findings. We did not audit the response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the board of directors of the St. Mary Association of Retarded Citizens, its management and its grantor agencies and is not intended to be and should not be used by anyone other than those specified parties. However, under Louisiana Revised Statute 24:513, the Legislative Auditor will distribute this document as a public record.

*Kolder, Champagne, Slaven & Company, LLC*  
Certified Public Accountants

Franklin, Louisiana  
December 30, 2009

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2009

2008-1 Segregation of Duties

The conditions giving rise to this finding are still present during the year ended June 30, 2009 and; therefore, this finding will be reiterated in the current audit as finding 2009-1.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2009

Part 1: Summary of Auditor's Reports

FINANCIAL STATEMENTS

Auditor's Report – Financial Statements

An unqualified opinion has been issued on the St. Mary Association for Retarded Citizens, Inc.'s financial statements as of and for the year ended June 30, 2009.

Significant Deficiencies – Financial Reporting

There were two significant deficiencies in internal control over financial reporting disclosed during the audit of the financial statements. Both significant deficiencies were considered to be material weaknesses.

Material Noncompliance – Financial Reporting

There were no material instances of noncompliance noted during the audit of the financial statements.

FEDERAL AWARDS

This section is not applicable for the year ended June 30, 2009.

Part 2: Findings Relating to an Audit in Accordance with *Government Auditing Standards*

2009-1 Inadequate Segregation of Duties

Finding:

Due to the limited number of personnel performing administrative functions, the St. Mary Association for Retarded Citizens, Inc. does not have adequate segregation of duties within its accounting and financial functions.

Criteria:

SAS 109, *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatements*, AU §314.43 defines internal control as follows:



ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2009

*“Internal Control* is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

Additionally, Statements of Standards for Attestation Engagements (SSAE) AT §501.03 states:

An entity’s internal control over financial reporting includes those policies and procedures that pertain to an entity’s ability to record, process, summarize, and report financial data consistent with the assertions embodied in either annual financial statements or interim financial statements, or both.”

Cause:

The cause of the condition is the fact that the Association does not have a sufficient number of staff performing administrative and financial duties so as to provide adequate segregation of accounting and financial duties.

Effect:

Failure to adequately segregate accounting and financial functions increases the risk that errors and/or irregularities include fraud may occur and not be prevented and/or detected.

Recommendation:

The Board is aware of this inadequacy and has concluded that the cost of hiring additional personnel to achieve complete segregation of duties would exceed the benefits. No additional response is deemed necessary.

2009-2     Application of GAAP (generally accepted accounting principles)

Finding:

Management and staff lack the training and expertise in the selection and application of GAAP in the financial statement preparation process.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2009

Criteria:

SAS 112, *Communicating Internal Control Related Matters Identified in an Audit*, AU §325.18, states, in pertinent part:

“Deficiencies in the following areas ordinarily are at least significant deficiencies in internal control:

- Controls over the selection and application of accounting principles that are in conformity with generally accepted accounting principles. Having sufficient expertise in selecting and applying accounting principles is an aspect of such controls.”

Furthermore, AU §325.32 identifies the following as a deficiency in the design of (internal) controls:

“Employees or management who lack the qualifications and training to fulfill their assigned functions. For example, in an entity that prepares financial statements in accordance with generally accepted accounting principles, the person responsible for the accounting and reporting function lacks the skills and knowledge to apply generally accepted accounting principles in recording the entity’s financial transactions or preparing its financial statements.”

Cause:

The cause of the condition is the result of a failure to design or implement policies and procedures necessary to achieve adequate internal control.

Effect:

Financial statements and related supporting transactions may reflect a material departure from generally accepted accounting principles.

Recommendation:

The additional costs required to achieve the desired benefit may not be economically feasible.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2009

Part 3: Findings and Questioned Costs Relating to Federal Programs

At June 30, 2009, the St. Mary Association for Retarded Citizens, Inc. did not meet the requirements to have a single audit in accordance with OMB Circular A-133, therefore this section is not applicable.

ST. MARY ASSOCIATION FOR RETARDED CITIZENS, INC.  
Centerville, Louisiana

Management's Response and Corrective Action Plan for Current Year Findings  
Year Ended June 30, 2009

2009-1 Segregation of Duties

The Board has determined that it is not feasible to hire additional personnel. At the present time the Director is handling the duties under the oversight of the Board.

2009-2 Application of GAAP (generally accepted accounting principles)

The Organization has evaluated the cost/benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the Organization to outsource this task to its independent auditors, and will review, approve, and accept responsibility for the content and presentation of the statements and related notes prior to issuance.