

10549

RECEIVED  
LEGISLATIVE AUDITOR  
2012 DEC 12 AM 9:15

**FRANCES SPECIAL SERVICES, INC.**

---

**ANNUAL FINANCIAL STATEMENTS**

**As of and for the Year Ended December 31, 2011**

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 **JAN 02 2013**

**PHIL HEBERT**  
**CERTIFIED PUBLIC ACCOUNTANT**  
**A PROFESSIONAL ACCOUNTING CORPORATION**

**Frances Special Services, Inc.  
Amite, Louisiana**

**Table of Contents  
December 31, 2011**

	<b>Page</b>
Independent Auditor's Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements .....	6
Supplementary Information:	
Schedule of Expenditures of Federal Awards .....	11
Other Independent Auditor's Reports:	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i> .....	13
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	15
Schedule of Findings, Questioned Costs and Responses .....	18

MEMBER  
American Institute of  
Certified Public  
Accountants

**Phil Hebert, CPA**  
A PROFESSIONAL ACCOUNTING CORPORATION  
Post Office Box 1151 • Ponchatoula, Louisiana 70454  
Office: (985) 386-5740 • Fax (985) 386-5742

MEMBER  
Society of Louisiana  
Certified Public  
Accountants

### Independent Auditor's Report

To Frances George  
Frances Special Services, Inc.  
P.O. Box 1430  
Amite, Louisiana 70422

I have audited the accompanying statement of financial position of Frances Special Services, Inc. (a nonprofit organization) as of December 31, 2011, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Frances Special Services, Inc.'s management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of Frances Special Services, Inc. as of December 31, 2011, and the changes in its net assets and its cash flows for the year ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated September 28, 2012, on my consideration of Frances Special Services, Inc.'s internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 my audit.

906 PM 12/28/11  
PROFESSOR  
SOCIETY OF LOUISIANA  
CERTIFIED PUBLIC  
ACCOUNTANTS

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation  
September 28, 2012

**Frances Special Services, Inc.**  
**Statement of Financial Position**  
**December 31, 2011**

**Assets**

Current Assets:

Cash and Cash Equivalents	\$ 4,112
Grant Receivable	9,995
Total Current Assets	<u>14,107</u>

Fixed Assets:

Land	14,300
Buildings	<u>528,225</u>
Total Fixed Assets	<u>542,525</u>
Total Assets	<u><u>\$ 556,632</u></u>

**Liabilities**

Current Liabilities:

Accounts Payable	\$ 9,995
Developer Fee Payable	50,625
Due to Owner	354
Total Current Liabilities/Liabilities	<u>60,974</u>

**Net Assets**

Unrestricted	<u>495,658</u>
Total Net Assets	<u>495,658</u>
Total Liabilities and Net Assets	<u><u>\$ 556,632</u></u>

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

**Frances Special Services, Inc.**  
**Statement of Activities**  
**December 31, 2011**

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<b>Revenue and Other Support</b>			
HOME Investment Partnership Program Grants:			
Construction Grant	\$ -	\$ 500,000	\$ 500,000
Operating Grants	-	53,202	53,202
Net Assets Released From Restrictions			
Restrictions Satisfied by Payments	553,202	(553,202)	-
Total Revenues and Other Support	553,202	-	553,202
<b>Expenses</b>			
Bank Charges	4	-	4
Computer	299	-	299
Contract Labor	53,762	-	53,762
Depreciation	2,210	-	2,210
Office Supplies	134	-	134
Professional Fees	945	-	945
Total Expenses	57,354	-	57,354
Change in Net Assets	495,848	-	495,848
Net Assets, Beginning	(190)	-	(190)
Net Assets, Ending	\$ 495,658	\$ -	\$ 495,658

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

**Frances Special Services, Inc.**  
**Statement of Cash Flows**  
**December 31, 2011**

**Cash Flows from Operating Activities**

Change in Net Assets	\$ 495,848
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:	
Depreciation	2,210
Change in Operating Assets:	
Increase in Receivables	(4,826)
Change in Operating Liabilities:	
Increase in Accounts Payable	4,826
Increase in Developer Fee Payable	50,625
Increase in Due to Owner	74
Net Cash Provided by Operating Activities	548,757

**Cash Flows from Investment Activities**

Land Purchase	(14,300)
Building Construction	(530,435)
Net Cash Used in Investment Activities	(544,735)

**Net Increase in Cash and Cash Equivalents**

4,022

**Cash and Cash Equivalents, Beginning of Year**

90

**Cash and Cash Equivalents, End of Year**

\$ 4,112

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

**Frances Special Services, Inc.  
Amite, Louisiana**

**Notes to Financial Statements  
December 31, 2011**

**Nature of Activities**

Frances Special Services, Inc. is a nonprofit company organized to provide rental housing to low to moderate income tenants in Amite, Louisiana.

**1. Summary of Significant Accounting Policies**

**Basis of Presentation**

The Association is required to report information regarding the financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**Basis Accounting**

The financial statements of Frances Special Services, Inc. have been prepared on the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recognized at the time liabilities are incurred.

**Cash and Cash Equivalents**

For the purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

**Capital Assets**

Capital assets are stated at cost. Depreciation is provided using the straight-line method over the estimated useful lives of the assets as follows:

Buildings	40 Years
-----------	----------

**Income Taxes**

The Organization is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**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.



**Frances Special Services, Inc.  
Amite, Louisiana**

**Notes to Financial Statements  
December 31, 2011**

**2. Cash and Cash Equivalents**

At December 31, 2011, the Company had cash and cash equivalents totaling \$4,112 (book balances) as follows:

Demand Deposits	<u>\$ 4,112</u>
Total Cash and Cash Equivalents	<u><u>\$ 4,112</u></u>

**3. Receivables**

The following is a sum of receivable for December 31, 2011:

Grant Receivable	<u>\$ 9,995</u>
Total Receivables	<u><u>\$ 9,995</u></u>

Receivables consist of amounts to be received from the Louisiana Housing Finance Agency. All receivables are expected to be collected.

**4. Capital Assets**

Property and Equipment consist of the following:

Land	\$ 14,300
Buildings	<u>530,435</u>
Total Capital Assets	<u>544,735</u>
Less Accumulated Depreciation	<u>(2,210)</u>
Total Capital Assets, Net	<u><u>\$ 542,525</u></u>

For the year ended December 31, 2011, depreciation expense was \$2,210.

The land and buildings were purchased and constructed with grant revenues received under the HOME Investment Partnerships Program.

**Frances Special Services, Inc.  
Amite, Louisiana**

**Notes to Financial Statements  
December 31, 2011**

The Following Restrictive Covenants Apply to the aforementioned Property:

- 1) The terms and conditions herein shall apply for a period of up to two hundred forty (240) months from the effective date of this Agreement (“the period of affordability”), in accordance with the minimum periods of affordability outlined in the Agreement. The period is based upon a total of five hundred thousand dollars and no cents (\$500,000) in HOME funds having been invested in the Property (“HOME Investment). This period of affordability will continue for the stated number of years regardless of any resale, transfer or vacancy of the Property, provided that no additional HOME funds are invested in the Property during this period. In the event that additional HOME funds are invested in the Property during this period, this covenant shall be amended to substitute a new period of affordability based on the additional HOME investment.
- 2) The Grantee may not sell transfer, exchange or otherwise dispose of the Project, or any portion thereof, without obtaining prior written consent of the grantor, which consent shall be promptly given and conditioned solely upon receipt by the Grantor of (I) evidence reasonably satisfactory to the Grantor that the Grantee’s purchaser or transferee has assumed in writing and in full, and is reasonably capable of performing and complying with, the Grantee’s duties and obligations under this Agreement and (ii) an opinion of counsel of the transferee that the transferee has duly assumed the obligations of the Grantee under this Agreement and that such obligations and this Agreement are binding on the transferee. It is hereby expressly stipulated and agreed that any sale, transfer, exchange or other disposition of the Project in violation of this provision shall be null, void and without effect, shall cause a reversion of title to the Grantee, and shall be ineffective to relieve the Grantee of its obligations under this Agreement.

Any such sale or conveyance of the Property shall allow the owner a fair return on investment. From the “Net Proceeds” of the sale, the owner may recover his “Investment”. For the purposes of this covenant, the “net proceeds” shall mean the amount remaining from sale price after subtracting the owner’s settlement costs and the amount that must be repaid by the owner on any outstanding loans on the Property. For the purposes of this covenant, the “Investment” shall mean the total amount of the owner’s investment in: (i) the down payment when the Property was originally purchased; (ii) permanent improvements made to the Property; and (iii) payments of principal on loans made on the Property. In the event the proceeds from the sale or conveyance of the Property are insufficient to enable the owner to recover any of the aforementioned costs or satisfy outstanding loans, neither the Agency nor any prior owner shall be liable for the insufficiency. The Agency and the owner shall share equally any balance of the proceeds remaining from the sale or conveyance.

- 3) Any sum payable under paragraphs 1 or 2 shall be made payable to “Louisiana Housing Finance Agency” and remitted to the HOME Program Manager, 2415 Quail Drive, Baton Rouge, Louisiana 70808, within ten (10) days of settlement of the sale or conveyance of the Property. Such payment shall be clearly identified as “Proceeds from Transfer of HOME-Assisted Property at 61604 Bennett Road, Amite, Louisiana.

**Frances Special Services, Inc.**  
**Amite, Louisiana**

**Notes to Financial Statements**  
**December 31, 2011**

- 4) These covenants shall remain in effect until amended or upon foreclosure, transfer in lieu of foreclosure or assignment of an FHA-insured loan to HUD.
- 5) The Agency shall have the right of first refusal to purchase the Property before foreclosure to preserve affordability. The affordability restrictions in the paragraphs above shall be revived according to the original terms if, during the original period of affordability, the owner of record before the termination event, or any entity that includes the former owner or those with whom the former owner has or had family or business ties, obtains an ownership interest in the Property.
- 6) Violation or breach of any restriction or covenant herein contained shall give to the Agency the right to institute any proceeding at law or in equity necessary to recover any sum due to the Agency under the terms of this covenant. If action is instituted by the agency to recover any such sum, the Frances Special Services, Inc. or its successors in title agree to pay all costs of collection, including court costs and reasonable attorneys' fees

**5. Related Party Disclosure**

Frances Special Services, Inc. had the following related party transactions at December 31, 2011:

The Company purchased one acre of land to build the apartment complex from the owner at a cost of \$14,000. The land was appraised at \$29,000 for two acres.

The Company hired the owner's daughter to work as an administrative assistant. She was paid \$20,976 as contract labor during 2011.

A Developer Fee of \$75,000 was budgeted in the Construction Agreement with Louisiana Housing Finance Agency. The Developer Fee is payable to the Owner, Frances George. At December 31, 2011, the Company paid the owner \$24,375 and accrued the balance payable of \$50,625.

Accounts payable include \$3,997.28 payable to the Owner's daughter for work as an administrative assistant in November and December 2011.

**6. Subsequent Events**

Subsequent events were evaluated through September 28, 2012, which is the date the financial statements were available to be issued and determined that no events occurred that require disclosure. No subsequent events occurring after this date have been evaluated for inclusion in these financial statements.

## Supplementary Information

**Frances Special Services, Inc.  
Amite, Louisiana**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2011**

<u>Federal Grantor/Pass-Through Grantor/Program</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Department of Housing and Urban Development:</b>			
Pass-through Louisiana Housing Finance Agency			
HOME Investments Partnerships Program	14.239	LHFA 10-0304	\$ 500,000
HOME Investments Partnerships Program	14.239	LHFA 10-0302	3,207
HOME Investments Partnerships Program	14.239	LHFA 11-0115	<u>49,995</u>
Total Department of Housing and Urban Development/			
Total Expenditures of Federal Awards			<u>\$ 553,202</u>

**Frances Special Services, Inc.  
Amite, Louisiana**

**Notes to Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2011**

**Note A Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Frances Special Services, Inc. Under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Frances Special Services, Inc., it is not intended to and does not present the financial position, change in net assets, or cash flows of Frances Special Services, Inc.

**Note B Summary of Significant Accounting Policies**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-122, *Cost Principles for Non-Profit Organizations*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) Pass-through entity identifying numbers are presented where available.

## Other Independent Auditor's Reports

# Phil Hebert, CPA

MEMBER  
American Institute of  
Certified Public  
Accountants

A PROFESSIONAL ACCOUNTING CORPORATION  
Post Office Box 1151 • Ponchatoula, Louisiana 70454  
Office: (985) 386-5740 • Fax (985) 386-5742

MEMBER  
Society of Louisiana  
Certified Public  
Accountants

## **Independent Auditor's 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 Frances George  
Frances Special Services, Inc.  
P.O. Box 1430  
Amite, Louisiana 70422

I have audited the financial statements Frances Special Services, Inc. (A nonprofit organization) as of and for the year ended December 31, 2011, and have issued my report thereon dated September 28, 2012. I conducted my 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**

Management of Frances Special Services, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing my audit, I considered Frances Special Services, Inc.'s internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Frances Special Services, Inc.'s internal control over financial reporting. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control over financial reporting.

My consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, I identified certain deficiencies in internal control over financial reporting that I consider to be material weaknesses.

A deficiency in internal control 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 and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. 2011-1 through 2011-3.

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Frances Special Services, Inc.'s financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2011-4 and 2011-5.

This report is intended solely for the information and use of management of Frances Special Services, Inc., the Louisiana Legislative Auditor 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.

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation  
September 28, 2012



MEMBER  
American Institute of  
Certified Public  
Accountants

**Phil Hebert, CPA**  
A PROFESSIONAL ACCOUNTING CORPORATION  
Post Office Box 1151 • Ponchatoula, Louisiana 70454  
Office: (985) 386-5740 • Fax (985) 386-5742

MEMBER  
Society of Louisiana  
Certified Public  
Accountants

**Independent Auditor's Report on Compliance with Requirements that Could  
Have a Direct and Material Effect on Each Major Program and on  
Internal Control over Compliance in Accordance with OMB Circular A-133**

To Frances George  
Frances Special Services, Inc.  
P.O. Box 1430  
Amite, Louisiana, 70422

**Compliance**

I have audited Frances Special Services, Inc.'s compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Frances Special Services, Inc.'s major federal programs for the year ended December 31, 2011. Frances Special Services, Inc.'s 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 Frances Special Services, Inc.'s management. My responsibility is to express an opinion on Frances Special Services, Inc.'s compliance based on my audit.

I conducted my 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 I plan and perform the audit 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 Frances Special Services, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Frances Special Services, Inc.'s compliance with those requirements.

As described in items 2011-8 in the accompanying schedule of findings and questioned costs, Frances Special Services, Inc. did not comply with requirements regarding Cash Management that are applicable to its HOME Investments Partnership Program Operating Grant. Compliance with such requirements is necessary, in my opinion, for Frances Special Services, Inc. to comply with the requirements applicable to that program.

In my opinion, except for the noncompliance described in the preceding paragraph, Frances Special Services, Inc. complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

## **Internal Control Over Compliance**

Management of Frances Special Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing my audit, I considered Frances Special Services, Inc.'s internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Frances Special Services, Inc.'s internal control over compliance.

My consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, I identified certain deficiencies in internal control over compliance that I consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. I consider the deficiencies in internal control over compliance described in the accompanying schedule of findings, questioned costs and responses as items 2011-6 and 2011-7 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

# Phil Hebert, CPA

A PROFESSIONAL ACCOUNTING CORPORATION

Frances Special Services, Inc.'s response to the findings identified in my audit are described in the accompanying schedule of findings and questioned costs. I did not audit Frances Special Services, Inc.'s response and, accordingly, I express no opinion on the response.

This report is intended solely for the information and use of management of Frances Special Services, Inc., the Louisiana Legislative Auditor 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.

*Phil Hebert*

Phil Hebert, CPA  
A Professional Accounting Corporation  
September 28, 2012

**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Summary of Auditor's Results**

1. The auditor's report expresses an unqualified opinion on the financial statements of Frances Special Services, Inc.
2. Three material weaknesses reported in the 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*.
3. One instance of noncompliance material to the financial statements of Frances Special Services, Inc. which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. Two material weaknesses in internal control over major federal award programs disclosed during the audit is reported in the Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 Financial Statements
5. The auditor's report on compliance for the major federal award programs for Frances Special Services, Inc. expresses an unqualified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this schedule.
7. The programs tested as major programs were : HOME Investments Partnerships Program 14.239.
8. The threshold used for distinguishing between Type A and B programs was \$300,000.
9. Frances Special Services, Inc. was not determined to be a low-risk auditee.

**Findings - Financial Statement Audit**

**Material Weaknesses**

**2011-1 Automated Accounting System**

**Condition:**

Although management maintained copies of supporting documentation such as bills, cancelled checks, bank statements, time sheets and other supporting documentation, their accounting system was not automated and did not include monthly financial statements, bank reconciliations and other reports that may be useful to management.

**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Criteria:**

Sound financial policies and procedures include monthly financial statements, bank reconciliations and other reports that may be useful to management.

**Cause:**

Management hired an independent accountant to perform automated accounting services. However, the accountant did not perform the services and management had to request the supporting documentation.

**Effect:**

The bank accounts were not reconciled in a timely manner. Financial statements were not prepared during the year for management's review.

**Recommendation:**

I recommend management hire an accounting firm to perform accounting services on a monthly basis including but not limited to reconciling the bank accounts, and preparing monthly financial statements.

**Management's Response:**

Management hired an accounting firm to compile the financial statements for the year ended December 31, 2011 in July 2012. Management will retain the firm to perform accounting services for 2012.

Responsible Party is Frances George.

**2011-2 Material Misstatements in Trial Balance**

**Condition:**

In July 2012, management hired an accounting firm to compile the financial statements for the year ended December 31, 2011. The accounting firm entered receipts and disbursements for 2011 and reconciled the bank accounts. Material journal entries were proposed by the auditor to record receivables and payables and reclassify expense. The material journal entries constitute a material weakness in internal control.

**Criteria:**

Management must provide the auditor with a trial balance that is not materially misstated.

**Cause:**

The accountant was not provided the supporting documentation to record the receivables and payables or properly classify all expenses.

**Effect:**

The trial balance was materially misstated.

**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Recommendation:**

I recommend the company hire an accounting firm to perform the accounting services on a monthly basis. Management and the accountant should review the financial statements to ensure that all receivables and payables are properly recorded and all expenses are properly coded.

**Management's Response:**

Management will retain the accounting firm to perform accounting services on a monthly basis. Responsible Party is Frances George.

**2011-3 Accountant Cannot Prepare Full Disclosure Financial Statements**

**Condition:**

The company's accountant cannot draft the year end financial statements including footnotes. As part of the audit, the auditor drafted the financial statements and related notes.

**Criteria:**

Financial statements and related notes must be drafted for the year end audit.

**Cause:**

The Company's job description for accountant does not require the accountant to have the technical skill to draft the year end financial statements which include footnotes.

**Recommendation:**

Management should review the cost benefit of hiring an accountant with the technical skill to draft the financial statements.

**Management's Response:**

Management will review the cost benefit of hiring an accountant with the technical skill to draft the financial statements. Responsible Party is Frances George.

**Compliance**

**2011-4 Information Tax Return Form 990 Not Filed**

**Condition:**

Management did not file the Company's Tax Return Form 990 for 2011.

**Criteria:**

The Company is required to file Form 990 with the Internal Revenue Service for 2011.

**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Cause:**

Management hired an accountant to perform accounting services for 2011 including the preparation and filing of the Company's tax return. The accountant did not perform the services.

**Recommendation:**

I recommend management retain an accounting firm to prepare and file Form 990 with the Internal Revenue Service for 2011.

**Management's Response:**

Management has retained an accounting firm that will prepare and file Form 990 for 2011. Responsible Party is Frances George.

**2011-5 Late Filing of Financial Statements**

**Condition:**

The financial statements were not filed by June 30, 2012.

**Criteria:**

The financial statements must be filed with the Legislative Auditor's Office within six months after the close of the fiscal year.

**Cause:**

Management hired an accountant to perform the audit of the financial statements but later discovered that he was not a Certified Public Accountant and could not perform the audit.

**Effect:**

An auditor was not engaged until June of 2012. An extension for additional time to complete the audit was filed with the Legislative Auditor's Office. The audit was completed in September 2012 and promptly submitted to the Legislative Auditor.

**Recommendation:**

I recommend management hire a certified public accountant who is approved by the Legislative Auditor's office to perform the financial audit. The auditor should be engaged prior to the end of the fiscal year and the audit must be completed and submitted to the Legislative Auditor no later than six months after the end of the fiscal year.

**Management's Response:**

For future audits management will hire a certified public accountant who is approved by the Legislative Auditor's Office to perform the financial audit. The audit will be completed within six months after the end of the fiscal year and submitted to the Legislative Auditor. Responsible Party is Frances George.

**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Findings and Questioned Costs - Major Federal Programs Audit**

**Material Weaknesses**

**2011-6 Automated Accounting System**

**Condition:**

During 2011 the Company received federal funds under the HOME Investments Partnerships Program to construct two duplexes to be used as affordable rental property to house low to moderate income tenants. Although management maintained copies of supporting documentation such as bills, cancelled checks, bank statements, time sheets and other supporting documentation, their accounting system did not include monthly financial statements, bank reconciliations or budget to actual reports.

**Criteria:**

Sound financial policies and procedures include monthly financial statements, bank reconciliations and other reports that may be useful to management.

**Cause:**

Management hired an independent accountant to perform automated accounting services. However, the accountant did not perform the services and management had to request the supporting documentation.

**Effect:**

The bank accounts were not reconciled in a timely manner. Financial statements were not prepared during the year for management's review.

**Recommendation:**

I recommend management hire an accounting firm to perform accounting services on a monthly basis including but not limited to reconciling the bank accounts, and preparing monthly financial statements.

**Management's Response:**

Management hired an accounting firm to compile the financial statements for the year ended December 31, 2011 in July 2012. Management will retain the firm to perform accounting services for 2012. Responsible Party is Frances George.

**2011-7 Material Misstatements in Trial Balance**

**Condition:**

In July 2012, management hired an accounting firm to compile the financial statements for the year ended December 31, 2011. The accounting firm entered receipts and disbursements for 2011 and reconciled the bank accounts. Material journal entries were proposed by the auditor to record receivables and payables and reclassify expense. The material journal entries constitute a material weakness in internal control.



**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Criteria:**

Management must provide the auditor with a trial balance that is not materially misstated.

**Cause:**

The accountant was not provided the supporting documentation to record the receivables and payables or properly classify all expenses.

**Effect:**

The trial balance was materially misstated.

**Recommendation:**

I recommend the company hire an accounting firm to perform the accounting services on a monthly basis. Management and the accountant should review the financial statements to ensure that all receivables and payables are properly recorded and all expenses are properly coded.

Responsible Party is Frances George.

**Management's Response:**

Management hired an accounting firm to perform accounting services on a monthly basis. Management and the accountant will review the financial statements to ensure that all receivables and payables are properly recorded and all expenses are properly coded. Responsible Party is Frances George.

**Compliance**

**Cash Management**

**2011-8**

**Condition:**

The Company received an operating grant under the Home Investments Partnership Program to pay for personnel cost and certain other expenses such as accounting and supplies. Under the terms of the agreement the Company must submit a copy of paid invoices for consultant fees to the Grantor to be reimbursed. In two instances I noted the company incurred consulting fees and submitted the invoices to the Grantor for reimbursement before the invoices were paid. After receiving payment from the Grantor the invoices were promptly paid.

**Criteria:**

The operating and expense agreement between Louisiana Housing Finance Agency and Frances Special Services, Inc. requires expenses for consultant fees and purchase for equipment, materials and office supplies to be paid before invoices are submitted for reimbursement.

**Frances Special Services, Inc.**

**Schedule of Findings, Questioned Costs and Responses  
For the Year Ended December 31, 2011**

**Cause:**

Some items in the Operating Expense Agreement such as Personnel Costs do not require the Company to make a payment before a request for reimbursement is submitted. Management need only submit copies of times sheets indicating the days, hours worked and rate of pay. Management mistakenly submitted the invoice for consulting in the same manner.

**Effect:**

The Company is in violation of the cash management requirement for the consulting fees.

**Recommendation:**

Internal controls should be implemented to ensure that all request for reimbursement under an expense reimbursable contract are submitted in accordance with the agreement.

**Management's Response:**

Management agrees that in the future all invoices that are required to be paid will be paid before they are submitted to the grantor for reimbursement. Responsible Party is Frances George.