

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

Audited Financial Statements

For the Year Ended June 30, 2012

## Contents

---

<b>Independent Auditor's Report</b>	1 - 2
-------------------------------------	-------

---

### **Financial Statements**

Statement of Financial Position	3
Statement of Activities	4
Statement of Cash Flows	5
Notes to Financial Statements	6 - 11

---

### **Supplementary Information**

Schedule of Governing Board	13
-----------------------------	----

---

<b>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></b>	14 - 15
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------

---

<b>Schedule of Findings and Responses</b>	16 - 21
-------------------------------------------	---------

---

<b>Summary Schedule of Prior Year Findings</b>	22
------------------------------------------------	----



LaPorte, APAC  
5100 Village Walk | Suite 300  
Covington, LA 70433  
985.892.5850 | Fax 985.892.5956  
LaPorte.com

## Independent Auditor's Report

To the Board of Directors  
Louisiana Federation of Families  
for Children's Mental Health, Inc.  
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of Louisiana Federation of Families for Children's Mental Health, Inc. (the Federation), a non-profit Louisiana corporation, as of June 30, 2012, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Federation'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 Louisiana Federation of Families for Children's Mental Health, Inc. as of June 30, 2012, 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 our report dated January 7, 2013, on our consideration of the Federation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, 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.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Federation taken as a whole. The accompanying schedule of board of directors is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The schedule of board of directors 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "LaForte".

A Professional Accounting Corporation

January 7, 2013

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**  
Statement of Financial Position  
June 30, 2012

<b>Assets</b>	
<b>Current Assets</b>	
Cash	\$ 3,389
Contracts Receivable	178,250
	<u>181,639</u>
<b>Total Current Assets</b>	
<b>Fixed Assets</b>	
Furniture and Equipment	47,097
Accumulated Depreciation	(42,712)
	<u>4,385</u>
<b>Total Fixed Assets, Net</b>	
<b>Other Assets</b>	
Deposits	1,100
	<u>1,100</u>
<b>Total Other Assets</b>	
<b>Total Assets</b>	
	<u><u>\$ 187,124</u></u>
<b>Liabilities and Net Assets</b>	
<b>Current Liabilities</b>	
Overdraft Payable	\$ 10,627
Accounts Payable	16,824
Accrued Payroll	29,632
Payroll Taxes Payable	44,280
	<u>101,363</u>
<b>Total Current Liabilities</b>	
<b>Net Assets</b>	
Unrestricted	85,761
	<u>85,761</u>
<b>Total Net Assets</b>	
<b>Total Liabilities and Net Assets</b>	
	<u><u>\$ 187,124</u></u>

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

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Statement of Activities  
For the Year Ended June 30, 2012**

	<b>Unrestricted</b>
<b>Revenues and Other Support</b>	
Government Grants and Contracts	\$ 749,556
Program Service Fees	72,438
Other Income	2,877
	<hr/>
<b>Total Revenues and Other Support</b>	<b>824,871</b>
	<hr/>
<b>Expenses</b>	
Salaries	339,141
Contract Services	195,528
Service Fees	72,482
Travel	38,407
Office Expenses	32,247
Payroll Taxes	26,835
Insurance	24,177
Printing	20,570
Rent Expense	18,875
Other	16,872
Utilities	15,026
Professional Fees	13,256
Repairs and Maintenance	3,304
Dues and Memberships	2,659
Depreciation	2,344
	<hr/>
<b>Total Expenses</b>	<b>821,723</b>
	<hr/>
<b>Change in Net Assets</b>	<b>3,148</b>
	<hr/>
<b>Net Assets, Beginning of Year</b>	<b>82,613</b>
	<hr/>
<b>Net Assets, End of Year</b>	<b>\$ 85,761</b>
	<hr/> <hr/>

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

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Statement of Cash Flows  
For the Year Ended June 30, 2012**

<b>Cash Flows from Operating Activities</b>	
Change in Net Assets	\$ 3,148
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities	
Depreciation	2,344
Increase in Contracts Receivable	(32,358)
Increase in Overdraft Payable	10,627
Decrease in Accounts Payable	(7,386)
Increase in Accrued Payroll	15,125
Increase in Payroll Taxes Payable	10,199
	<hr/>
<b>Total Adjustments</b>	<b>(1,449)</b>
	<hr/>
<b>Net Cash Provided by Operating Activities</b>	<b>1,699</b>
	<hr/>
<b>Cash Flows from Investing Activities</b>	
Purchase of Fixed Assets	(2,282)
	<hr/>
<b>Net Cash Used in Investing Activities</b>	<b>(2,282)</b>
	<hr/>
<b>Net Change in Cash and Cash Equivalents</b>	<b>(583)</b>
<b>Cash and Cash Equivalents, Beginning of Year</b>	<b>3,972</b>
	<hr/>
<b>Cash and Cash Equivalents, End of Year</b>	<b>\$ 3,389</b>
	<hr/> <hr/>

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

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies**

The significant accounting policies used in the accompanying financial statements are as follows:

**Nature of Activities**

Louisiana Federation of Families for Children's Mental Health, Inc. (the Federation) is a state-wide parent organization and network which provides referral, informational, support and educational services to parents, and advocacy on behalf of children with emotional, behavioral or mental health disorders, and their families. The primary source of income is from contracts for services provided to the State of Louisiana.

**Basis of Accounting**

The financial statements of the Federation have been prepared on the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recognized when incurred.

**Financial Statement Presentation**

The Federation follows the guidance of the *Not-for-Profit Entities* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The Federation is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted. In addition, the Federation is required to present a statement of cash flows.

The Federation also follows the guidance of the *Not-for-Profit Entities* Topic of the FASB ASC, whereby contributions received are recorded as unrestricted, temporarily restricted or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the donor-imposed time or purpose restrictions. Restricted contributions are classified as unrestricted if the restriction was met in the same year the contribution was made.

**Contracts Receivable**

Contracts receivable are stated at unpaid balances, less an allowance for doubtful accounts. The Federation provides for losses on contracts receivable using the allowance method. The allowance is based on experience, third-party contracts, and other circumstances, which may affect the ability of patients to meet their obligations. Receivables are considered impaired if full principal payments are not received in accordance with the contractual terms. It is the Federation's policy to charge off uncollectible contracts receivable when management determines the receivable will not be collected.



**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

**Notes to Financial Statements**

---

**Note 1. Summary of Significant Accounting Policies (Continued)**

**Furniture and Equipment**

Furniture and equipment are stated at cost. Depreciation is computed on the straight-line basis over the following estimated useful lives of the assets:

Furniture and Equipment	3 - 7 Years
-------------------------	-------------

The Federation capitalizes substantially all assets whose useful lives extend beyond a one year period.

**Compensated Absences**

The Federation grants all contracted full-time employees a total of 10 days of vacation leave, 5 days of sick leave, and 2 floating holidays per year. Compensated absences cannot be accumulated above the 17 days earned each year and should be used during the year it is earned. Upon separation of employment, any remaining accumulated leave lapses. Accordingly, the Federation does not recognize a liability for accumulated compensated absences.

**Income Taxes**

The Federation is recognized by the Internal Revenue Service as a Section 501(c)(3) tax-exempt organization. However, income from certain activities not directly related to the Federation's tax-exempt purpose is subject to taxation as unrelated business income.

**Estimates**

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

**Cash Equivalents**

The Federation considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

**Reclassifications**

Certain reclassifications have been made to the prior year financial statements in order for them to be in conformity with the current year presentation.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

**Notes to Financial Statements**

---

**Note 2. Expenses by Functional Category**

As required by the *Not-for-Profit Entities* Topic of the FASB ASC, the Federation's expenses for the year ended June 30, 2012, have been recapped by their functional categories as follows:

**Program Expenses**

OMH-HQ	\$ 187,048
Region 7 CCR Adult	165,726
Family Support Organization Region 7	147,566
Community-Based Mental Health Services Grant	59,763
Region 7 CCR Child	48,070
Region 3	42,436
Region 7 CSP	27,906
Early Childhood Supports and Services	19,885
Region 6	11,724
Region 4	1,633
Region 6 ADV	1,477
Region 7 CCR	10

**Total Program Expenses** 713,244

**Management and General Expenses**

Administration	79,925
Operating and Maintenance	28,554

**Total Management and General Expenses** 108,479

**Total Expenses** \$ 821,723

Directly identifiable expenses are charged to program expenses. Expenses are segregated by function and are not allocated to more than one function. Management and general expenses include those expenses that are not directly identifiable with any other specific function, but provide for the overall support and direction of the Federation.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

**Notes to Financial Statements**

---

**Note 3. Grants and Contracts**

The Federation receives a majority of its funding through federal and state grants and contracts. A brief description of its larger grants and contracts is as follows:

Block Grant for Community Mental Health is a federal pass-through and state-funded regional contract funded mainly through the Louisiana Department of Health and Hospitals - Office of Behavioral Health. The contracts are on a regional basis and are used for family mentoring, family support, care coordination, and respite services. Funding periods vary by contract and range from July 1, 2011 through June 30, 2014. Total revenue for the year ended June 30, 2012, from the combined regions was \$661,495. Of this amount, 61% was funded through state sources and 39% was funded through federal sources.

As part of the Family Support Organization Region 7 contract, the Federation performed social services under the Office of Behavioral Health's Coordinated System of Care program. The original funding period ranged from October 1, 2011 through February 28, 2012. Effective March 2012, the contract was extended through September 30, 2012 and the Federation was required to contract with Magellan Behavioral Health, Inc. on behalf of the State of Louisiana Medicaid office. Total Medicaid revenue for the year ended June 30, 2012, was \$2,900.

Center for Mental Health Services Grant is a federal state-wide grant funded by the United States Department of Health and Human Services. Its funding period runs from September 30, 2011 through September 19, 2012. Total revenue for the year ended June 30, 2012, was \$66,297.

Early Childhood Supports and Services is a federal pass-through and state-funded regional contract funded mainly through the Louisiana Department of Health and Hospitals - Office of Behavioral Health. Its funding period runs from July 1, 2011 through June 30, 2012. Total revenue for the year ended June 30, 2012, was \$18,864.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

**Notes to Financial Statements**

---

**Note 4. Contracts Receivable**

The detail of contracts receivable is as follows:

	<b>Amount</b>
Department of Health and Hospitals -	
Office of Behavioral Health	
Family Support Organization Region 7	\$ 67,588
Region 7 CCR Adult	35,720
OMH-HQ	29,684
Region 7 CCR Child	13,816
Region 7 CSP	12,605
Region 6	6,206
Region 3	5,667
Seclusions and Restraints	2,282
LA YES	1,612
Region 7 FS	1,593
Region 6 ADV	1,477
<b>Total</b>	<b><u><u>\$ 178,250</u></u></b>

Contracts receivable at June 30, 2012, are estimated to be fully collectible.

**Note 5. Fixed Assets**

Depreciation expense for the year ended June 30, 2012, was \$2,344.

All assets acquired with Department of Health and Hospitals funds are owned by Louisiana Federation of Families for Children's Mental Health, Inc. while used in the program for which they were purchased. The Department of Health and Hospitals, however, has a reversionary interest in these assets. Should these contracts not be renewed, title in any assets purchased with those funds will transfer to the appropriate agency.

**Note 6. Concentration**

The Federation receives almost all of its funding through federal and state service contracts with durations of one year or less.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**

**Notes to Financial Statements**

---

**Note 7. Related Party**

The Federation utilizes the services of an employee's spouse for general office and vehicle maintenance. During the year ended June 30, 2012, the Federation paid \$3,024 for these services.

**Note 8. Commitments**

The Federation leases office space in Pineville, Louisiana under a twelve-month operating lease which commenced on February 1, 2012. For the period of February 1, 2012 to January 31, 2013, the lease payments were \$1,000 per month.

The Federation leases office space in Baton Rouge, Louisiana under a renewed twelve-month operating lease which commenced on January 1, 2012. For the period of January 1, 2012 to December 31, 2012, the lease payments were \$1,100 per month.

Future lease payments under these operating leases at June 30, 2012, are as follows:

<b>Year Ending June 30,</b>	
2013	<u>\$ 13,600</u>

**Note 9. Subsequent Events**

Management has evaluated subsequent events through the date that the financial statements were available to be issued, January 7, 2013, 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.

**Note 10. Uncertain Income Taxes**

The Federation's 2008, 2009 and 2010 tax returns were filed appropriately. As of January 7, 2013, the Federation had not filed their 2011 tax return. The Federation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense. The Federation's tax filings are subject to audit by various taxing authorities. The Federation's open audit periods are 2008 through 2010. Management has evaluated the Federation's tax position and concluded that the Federation has taken no uncertain tax positions that require adjustment to the financial statements.

## **SUPPLEMENTARY INFORMATION**

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Schedule of Governing Board  
June 30, 2012**

---

**Anthony D. Beasley, President**  
13411 Northstar Court  
Baton Rouge, LA 70815  
Phone: 225-938-3299  
E-mail: ampbeasley@yahoo.com  
Term Expires 12/2013

**Shana Sears, Vice President**  
1627 Lesseps Street  
New Orleans, LA 70117  
Phone: 504-344-4010  
E-mail: ssears34@gmail.com  
Term Expires 12/2013

**Cynthia J. Cobb, Secretary**  
P.O. Box 5334  
Alexandria, LA 71307  
Phone: 318-709-1575  
E-mail: ccobblaff6@yahoo.com  
Term Expires 12/2012

**Joseph Davis**  
6299 Carroll Circle  
Shreveport, LA 71107  
Phone: 318-936-1998  
E-mail: hesaloy5@aol.com  
Term Expires 12/2013

**Timothy Thomas**  
7169 Kimberly Road  
Greenwood, LA 71033  
Phone: 318-402-9069  
E-mail: trthomas@bellsouth.net  
Term Expires 12/2013

**Melanie Stephens**  
4209 Avron Boulevard  
Metairie, LA 70006  
Phone: 504-343-9014  
E-mail: ramsllc@yahoo.com  
Term Expires 12/2012

**Deborah Major**  
7943 Burke Road  
New Orleans, LA 70127  
Phone: 504-281-5836  
E-mail: deb\_major@yahoo.com  
Term Expires 12/2013

**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  
Louisiana Federation of Families  
for Children's Mental Health, Inc.  
Baton Rouge, Louisiana

We have audited the financial statements of Louisiana Federation of Families for Children's Mental Health, Inc. (the Federation), a non-profit organization, as of and for the year ended June 30, 2012, and have issued our report thereon dated January 7, 2013. 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**

Management of the Federation is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Federation'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 Federation's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Federation's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section 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 responses, we identified certain deficiencies in internal control over financial reporting that we 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 a 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. We consider the deficiencies 2012 - 1, 2012 - 2, 2012 - 4, and 2012 - 7 described in the accompanying schedule of findings and responses to be material weaknesses.



A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies 2012 - 4, and 2012 - 5 described in the accompanying schedule of findings and responses to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Federation'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 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 responses as items 2012 - 1, 2012 - 3, 2012 - 4, 2012 - 5, and 2012 - 7.

We noted certain matters that we reported to the management of the Federation in a separate letter dated January 7, 2013.

The Federation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the Federation's responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Directors, finance committee, management, 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. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.



A Professional Accounting Corporation

January 7, 2013

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Schedule of Findings and Responses  
June 30, 2012**

---

**2012 - 1 Unapproved Pay Rate Increases and Stipends to Employees**

**Criteria:** Noncompliance with Federation policy and the Louisiana Legislative Auditor's Checklist of Best Practices in Government.

**Condition:** During our audit procedures, we were made aware of the following payroll rate increases for managerial personnel that were not approved by the Board of Directors nor discussed in the Board minutes:

<b>Title</b>	<b>Prior Rate</b>	<b>New Rate</b>	<b>%</b>	<b>Date</b>
Executive Director	\$ 62,000	\$ 79,500	28%	10/01/11
Business Manager	\$ 45,894	\$ 62,000	35%	12/01/11
Program Director	\$ 40,800	\$ 60,000	47%	03/01/12

During our audit procedures, we were made aware of the following transactions for managerial personnel that were not approved by the Board of Directors nor discussed in the Board minutes:

<b>Title</b>	<b>Type</b>	<b>Amount</b>	<b>Date</b>
Business Manager	Parent Stipend	\$ 1,750	12/20/11
Business Manager	Stipend/Registration	\$ 1,500	01/11/12

**Cause:** Increase in pay rate in attempt to match allowable budgeted rates under Family Support Organization Region 7 contract. Payment of stipends to employees appears to be an oversight by the Board of Directors and Management.

**Effect:** Unapproved material pay rate increases and possible noncompliance with grant requirements.

**Recommendation:** We recommend that the Board of Directors review, establish, and approve all pay rates for employees, as well as any and all pay rate increases and stipend transactions.

**Management's Response:** The Federation will design and implement internal controls that will require the Board of Directors to review, establish, and approve all pay rates for employees, as well as any and all pay rate increases and stipend transactions.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Schedule of Findings and Responses  
June 30, 2012**

---

**2012 - 2      Controls Over Disbursements - Segregation of Duties**

**Criteria:**                      Proper controls over disbursements include maintaining appropriate segregation of duties in accordance with the Louisiana Legislative Auditor's Checklist of Best Practices in Government.

**Condition:**                    During our audit procedures, we were made aware that disbursements are now being printed with the authorized signor's name on the signature line. The Business Manager handles the accounting entry in QuickBooks, the printing, and the mailing of the checks to vendors. No supporting documentation was available to indicate that checks were being approved by an authorized signor prior to processing nor prior to mailing.

**Cause:**                            Inadequate controls over disbursements regarding segregation of duties; Management oversight.

**Effect:**                            Disbursements lack proper approval.

**Recommendation:** If the Federation chooses to continue with a printed signature, we recommend compensating controls be established, such as the batches of checks being manually approved by the executive director before being printed, and that this approval be documented and archived in some manner. We further recommend the use of dual signatures on all disbursements over a predefined threshold.

**Management's Response:**      The Federation will design and implement additional internal controls over disbursements, including a check log of all authorized signature checks to be disbursed, which will be approved by the Executive Director prior to checks being cut and disbursed.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Schedule of Findings and Responses  
June 30, 2012**

---

**2012 - 3      Late Filing of Tax Deposits**

Criteria:              Lack of payroll processing and cash management policies and procedures required to be in accordance with the Louisiana Legislative Auditor's Checklist of Best Practices in Government and IRS requirements.

Condition:            During our audit procedures, we noted large unpaid balances in the payroll withholdings accounts. We also noted disbursements for tax withholdings that were being delayed and, therefore, were incurring late fees and penalties with the IRS. This activity prompted an IRS audit in the current fiscal year, which further revealed the items noted in Finding 2012 - 4.

Cause:                 Inadequate payroll processing and cash management policies and procedures.

Effect:                 Unallowable and unnecessary costs related to taxes and penalties due to late filings.

Recommendation: We recommend that Management evaluate the Federation's payroll processing procedures and cash flow needs and work towards timely payroll processing.

Management's  
Response:             The Federation will report to the Board of Directors the issues we are encountering with payroll withholding deposits and seek permission to open a line of credit that will serve as support for tax expense.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Schedule of Findings and Responses  
June 30, 2012**

---

**2012 - 4      Results of IRS Audit**

Criteria:                      Lack of payroll processing and cash management policies and procedures required to be in accordance with the Louisiana Legislative Auditor's Checklist of Best Practices in Government, Internal Revenue Service Publication 15 and other regulations.

Condition:                    During our audit procedures, we noted that an IRS audit was performed in the current fiscal year. This audit revealed that W9's and 1099's were not being appropriately kept and remitted for required vendors. This audit also revealed that payroll stipends in the form of gift cards were being given to employees, but were not being accounted for as taxable revenues to the employees.

Cause:                         Inadequate payroll processing cash management policies and procedures.

Effect:                         Noncompliance with Internal Revenue Service requirements and incorrect employee W2 calculations.

Recommendation:         We recommend that Management collect W9's and disburse 1099's on all necessary vendors. We recommend that Management account for any non-cash taxable revenues being distributed to employees. We recommend that Management reevaluate the Federation's payroll processing procedures and work towards payroll processing that is in compliance with governmental requirements.

Management's  
Response:                    The Federation will collect W9's and disburse 1099's on all necessary vendors. The Federation will account for any non-cash taxable revenues being distributed to employees. The Federation will design and implement internal controls over payroll processing procedures that will aid in compliance with governmental requirements.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.**  
**Schedule of Findings and Responses**  
**June 30, 2012**

---

**2012 - 5      Related Party Activity**

Criteria:                      Lack of controls over disbursements to related parties.

Condition:                    During our audit procedures, we were made aware of services purchased from a party related to senior management of the Federation. Payments for these services totaled \$3,024 for the year ended June 30, 2012.

Cause:                         Oversight by Management.

Effect:                         Potential noncompliance with Louisiana Code of Ethics.

Recommendation:        We recommend that any related party activity be evaluated for ethical integrity and be approved by the Board of Directors.

Management's  
Response:                    The Federation will design and implement internal controls over disbursements to related parties, including requiring approval by the Board of Directors of all related party disbursements and obtaining an opinion from the Louisiana Board of Ethics, if considered necessary.

**2012 - 6      Adjusting Journal Entries**

Criteria:                      The Federation's accounting records require multiple end-of-year adjustment journal entries proposed as part of the audit engagement to be in compliance with Generally Accepted Accounting Principles (GAAP).

Condition:                    During our audit procedures, we proposed, and the client accepted six (6) adjusting journal entries, four (4) of which were individually material to the financial statements.

Cause:                         Oversight by Management.

Effect:                         Inadequate internal controls over financial statements.

Recommendation:        We recommend that Management establish a year-end closing process to ensure that the Federation's financial statements are materially correct.

Management's  
Response:                    The Federation will design and implement internal controls over the year-end closing process to ensure that the Federation's financial statements are materially correct.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Schedule of Findings and Responses  
June 30, 2012**

---

**2012 - 7      Late Filing of Audit Report**

Criteria:                    LRS 39:72.1 requires an audit or review report prepared by a license certified public accountant to accompany annual financial statements that should be filed with the Louisiana Legislative Auditor within six months of the close of the entity's fiscal year.

Condition:                For the year ended June 30, 2012, the audited financial statements were not submitted to the Louisiana Legislative Auditor until January 17, 2013.

Cause:                    The Federation had operational emergencies towards the end of the fiscal year.

Effect:                    Noncompliance with LRS 39:72.1.

Recommendation:      We recommend that Management ensure that books are closed timely and subsequent events are analyzed timely in order to meet the deadline for submission to the Louisiana Legislative Auditor.

Management's  
Response:                The Federation will design and implement internal controls to ensure that the books are closed timely and subsequent events are analyzed timely in order to meet the deadline for submission to the Louisiana Legislative Auditor.

**LOUISIANA FEDERATION OF FAMILIES  
FOR CHILDREN'S MENTAL HEALTH, INC.  
Summary Schedule of Prior Year Findings  
June 30, 2012**

---

None.





LaPorte, APAC  
5100 Village Walk | Suite 300  
Covington, LA 70433  
985.892.5850 | Fax 985.892.5956  
LaPorte.com

January 7, 2013

To the Senior Management and Board of Directors  
Louisiana Federation of Families for Children's Mental Health, Inc.  
5627 Superior Dr., Suite A2  
Baton Rouge, LA 70816

Dear Ladies and Gentlemen:

This letter includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements of Louisiana Federation of Families for Children's Mental Health, Inc. (the Federation) for the year ended June 30, 2012. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Federation's practices and procedures.

Old Outstanding Items:

We noted that some checks drawn on the operating bank account have been outstanding for long periods of time, in some instances up to nine years. We also noted that there are several items on the accounts payable and accounts receivable listings between one to six years old. The total impact to the Federation's financial position was determined to be insignificant in the current period, but could become significant in future periods if not monitored or corrected.

We recommend that the lists of outstanding checks, payables, receivables, and any other unreconciled items be reviewed regularly and that items not cleared within a reasonable period of time be investigated.

Management's Response:

In an effort to rectify this issue from a previous year audit, the Federation sent out letters to individuals and agencies who had not cashed checks. Of the twenty one letters issued we received ten responses. We issued replacement checks for those checks that had expired.

Management has determined that the remaining checks except for one should be turned into the Louisiana State Treasury and will make arrangements to do so immediately.

As in the past we are requesting the assistance of a LaPorte CPA in completely resolving this issue.

Posting of Audit Journal Entries:

We noted that the journal entries related to the prior year audit were approved by the management of the Federation but were not recorded. This resulted in additional reconciliation procedures as part of the audit and an outage in net assets.

We recommend that the Federation book all journal entries approved as part of the financial audit.

NEW ORLEANS HOUSTON BATON ROUGE COVINGTON

An Independently Owned Member, McGladrey Alliance

The McGladrey Alliance is a premier affiliation of independent accounting and consulting firms. The McGladrey Alliance member firms maintain their name, autonomy and independence and are responsible for their own client fee arrangements, delivery of services and maintenance of client relationships.

To the Senior Management and Board of Directors  
Louisiana Federation of Families for Children's Mental Health, Inc.  
January 7, 2013  
Page 2

Management's Response:

We will book all journal entries approved as part of the financial audit and year-end closeout process, as necessary, and will design and implement controls to ensure proper reconciliation of net assets.

Use of Visa Debit Card:

We noted that debit card activity has increased in the past few years. Per our understanding, the card is to be used only when required or for situations in which a manual check would be considered cumbersome. The card appears to be primarily used for payment of CCR requests, travel purchases, meal purchases, recurring utilities, and supplies purchases.

We recommend that management and the board monitor spending activity on the debit card. We recommend that any debit card purchase be pre-approved on an expense form.

Management's Response:

Use of LAFFCMH debit card has increased due to policy changes by providers of services we use. Checks are no longer the primary means of payment. All purchases made on the debit card must have supporting documentation. Management will amend the Financial Policies and Procedures Manual to include this expanded use of the debit card. Management and the Board of Directors will monitor use of the card in the future.

Expense Reimbursement Requests Do Not Reconcile to General Ledger:

We noted transactions towards fiscal year end, that were being requested for reimbursement for the year ended, were not being accrued at year end, but were instead expensed in the subsequent year.

We recommend that management evaluate disbursements paid subsequent to year end and assess any necessity to record an accrued expense.

Management's Response:

We will design and implement controls to evaluate disbursements paid subsequent to year end and assess any necessity to record an accrued expense.

This letter is intended solely for the information and use of the Board of Directors, management and others within the Federation and is not intended to be, and should not be, used by anyone other than these specified parties. We appreciate serving the Federation and would be happy to assist you in addressing and implementing any of the suggestions in this letter.

Sincerely,



LAPORTE  
A Professional Accounting Corporation