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Bossier Office of Community Services, Inc. Bossier City, Louisiana

> Financial Statements With Auditors' Report

For the Years Ended December 31, 2004 and 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 12-7-05

Bossier Office of Community Services, Inc. Bossier City, Louisiana

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COOK & MOREHART

Certified Public Accountants

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

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

C BRYAN COYLE, CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G COOK (RET.)

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report

To the Board of Directors Bossier Office of Community Services, Inc. Bossier City, Louisiana

We were engaged to audit the accompanying statements of financial position of the Bossier Office of Community Services, Inc., (a nonprofit organization) as of December 31, 2004 and 2003, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of Bossier Office of Community Services, Inc.'s management.

Because of inadequacies in the agency's accounting records, we were unable to form an opinion regarding cash, interagency balances, payroll, and payroll liabilities, including retirement payable.

Since cash, interagency balances, payroll, and payroll liabilities materially affect the determination of financial position, results of operations, and cash flows, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 15, 2005, on our consideration of Bossier Office of Community Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements and other matters. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Dur audit was performed for the purpose of forming an opinion on the basic financial statements of Bossier Office of Community Services, Inc. taken 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. Because of the items previously listed in paragraphs two and three above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying schedule of expenditures of federal awards.

The accompanying supplemental schedules shown on pages 14–15, are presented for the purpose of additional analysis and are not a required part of the financial statements of Bossier Office of Community Services, Inc. Such information has been subjected to the auditing procedures applied in the audit of the financial statements. Because of the items previously listed in paragraphs two and three above, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying supplemental schedules on pages 14 and 15.

Cook & Morehart

Certified Public Accountants

Cook Muchant

September 15, 2005

Bossier Office of Community Services, Inc. Bossier City, Louisiana Statements of Financial Position December 31, 2004 and 2003

Assets	2004	2000	.
Current assets:			•
Cash	\$ 303,8	74 \$ 36	6,117
Grant receivables	433.2		6.219
Account receivable-other	28,2		4,059
Prepaid expenses	32,3		1,000
Due from other funds	532,4		0,520
Total current assets	1,330,2		6,915
Total danient addets	1,000,2	1,00	0,010
Property and equipment:			
Property and equipment	1,836,0	09 1,75	6,177
Accumulated depreciation	(1,176,9	53) (1,08	3,709)
Net property and equipment	659,0	56 67	2,468
Total Assets	\$ 1,989,3	20 \$ 1,67	9,383
Liabilities and Net Assets			
Current liabilities:			
Accounts payable	\$ 211,1		7,779
Accrued liabilities	626,9		7,090
Current portion of long-term debt	4,8		5,890
Due to other funds	532,4		0,520
Other Liabilities	2,5		1,437
Refundable advances	58,9		2,286
Total current liabilities	1,437,0	<u>75 </u>	5,002
Long-term debt, less current portion	8,7	05 1	4,868
Total liabilities	1,445,7	80 76	9,870
Net assets:			

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

Unrestricted:

Operating

Fixed assets

Total net assets

Total Liabilities and Net Assets

Designated for specific programs

(124,953)

23,017

645,476

543,540

1,989,320

119,250

138,553

651,710

909,513

1,679,383

Bossier Office of Community Services, Inc. Bossier City, Louisiana Statements of Activities

For the Years Ended December 31, 2004 and 2003

	Unrest	tricted	
Revenues and Other Support:	 2004		2003
Contractual revenue - grants Miscellaneous revenues	\$ 5,727,567 207,744	\$	5,569,919 298,140
Total revenues and other support	 5,935,311		5,868,059
Expenses:			
Head start and early head start program Child nutrition Community services Transit services Family day care home Home energy assistance Weatherization assistance Youth shelter School lunch program General services	2,875,749 282,279 239,451 71,754 529,608 34,730 643,069 1,262,593 103,289 258,762		3,171,224 264,535 302,889 59,225 342,038 198,794 364,288 958,021 141,909 19,371
Total expenses	 6,301,284		5,822,294
Changes in net assets	(365,973)		45,765
Net assets, beginning of year	 909,513		863,748
Net assets, end of year	\$ 543,540	\$	909,513

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

Bossier Office of Community Services, Inc. Bossier City, Louisiana Statements of Cash Flows For the Years Ended December 31, 2004 and 2003

Operating Activities		2004	2003
Change in net assets	\$	(365,973)	\$ 45,765
Adjustments to reconcile change in net assets to			•
net cash provided by operating activities:			
Depreciation		93,245	100,683
(Increase) decrease in operating assets:			
Grant receivables		(187,071)	229,109
Other receivables		25,760	(21,028)
Prepaid expenses		(32, 322)	
Increase (decrease) in operating liabilities:			
Accounts payable		113,417	(49,369)
Accrued liabilities		409,906	56,452
Other liabilities		1,141	(1,141)
Refundable advances		(33,335)	(147,912)
Net cash provided by operating activities		24,768	 212,559
Investing Activities			
Payments for property and equipment		(79,832)	(42,102)
Net cash used in investing activities		(79,832)	(42,102)
Financing Activities			
Repayments of debt		(7,179)	(4,228)
Net cash used in financing activities		(7,179)	 (4,228)
Net increase in cash		(62,243)	166,229
Cash as of beginning of year		366,117	199,888
Cash as of end of year	\$	303,874	\$ 366,117
Supplemental disclosure: Cash paid for interest in 2004 and 2003 was \$1,948 and \$1,471, res	spective	ely.	
Non-cash investing and financing acivities:			
Acquisition of equipment			
Cost of equipment	\$		\$ 20,212
Equipment loan			(17,212)
Cash down payment for equipment	\$		\$ 3,000
. , , ,			 · · · · · · · · · · · · · · · · · · ·

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

(1) Summary of Significant Accounting Policies

A. Nature of Activities

The Bossier Office of Community Services, Inc., (BOCS) is a private nonprofit corporation organized under the laws of the State of Louisiana. BOCS is governed by a Board of Directors consisting of members from Bossier Parish. These members receive no per diem or other compensation for their services.

The Bossier Office of Community Services, Inc., (BOCS) operates as a community action agency administering various federal and state programs designed to fulfill responsibilities and provide assistance to the poor, disadvantaged and unemployed in Bossier Parish. The following programs, with their approximate percentage of revenues indicated, are administered by BOCS:

Head Start and Early Head Start Programs (49%) — Provides comprehensive early child development for disadvantaged and handicapped preschool children and their families, and provides for a program to enhance children's physical, social, emotional and cognitive development; to enable parents to be better caregivers of and teachers to their children; and to help parents meet their own goals, including that of economic independence. Funding is provided through federal funds from the Department of Health and Human Services.

Child Nutrition (5%) – Provides a food service program in coordination with the Head Start and Early Head Start Program. Funding is provided by federal funds passed through the State of Louisiana, Department of Education.

Community Services (4%) – Provides assistance to the poor, disadvantaged and unemployed through housing services, community projects, nutrition services, emergency assistance, employment services, transportation services, and other services. Funding is provided by federal funds passed through the State of Louisiana, Department of Labor.

Transit Services (1%) — Provides transportation services to the citizens in the nonurbanized and urban areas of Bossier Parish. Financing is provided through federal funds passed through the State of Louisiana, Department of Social Services, federal funds passed through the City of Bossier City, transit fares and other miscellaneous revenues.

Family Day Care Home (9%) — Operates a food service program for children in private nonprofit centers of approximately 160 homes. Funding is provided by federal funds passed through the State of Louisiana, Department of Education.

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

Weatherization Assistance (11%) — Weatherizes (insulates) the dwellings of low-income persons, particularly the elderly and handicapped in order to conserve needed energy and aid those persons least able to afford higher utility costs. Funding is provided by federal funds passed through the Louisiana Housing Finance Agency.

School Lunch (2%) – Provides a food service program in coordination with the Johnny Gray Jones Youth Shelter. Funding is provided by federal funds passed through the State of Louisiana, Department of Education.

Johnny Gray Jones Youth Shelter (19%) – Accounts for the maintenance and operation of a regional youth shelter which provides a temporary facility for juvenile status offenders until their disposition can be decided. Funding is provided by state funds from the Department of Public Safety and Corrections and various other revenues.

B. Basis of Accounting

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

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not—for—Profit Organizations. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Income Tax Status

BOCS is exempt from state and federal income taxes under Section 501 (c)(3) of the Internal Revenue Code. However, income from certain activities not directly related to BOCS's tax-exempt purpose is subject to taxation as unrelated business income. BOCS had no such income for this audit period.

E. Use of Estimates

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

F. Cash and Cash Equivalents

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

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight—line method over the estimated useful life of each asset. The Federal Government has a reversionary interest in property purchased with federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to federal regulations. BOCS has adopted a policy to capitalize all items with a unit cost of \$500 or greater.

H. Revenue and Support

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

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

I. Pension Plan

Employees of BOCS are members of the social security system. Effective May 1, 2001, BOCS began offering a 403(b) plan for its employees.

J. Expense Allocation

The costs of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

K. Reclassifications

Certain accounts in the prior-year financial statements have been reclassified for comparative purposes to conform with the presentation in the current-year financial statements.

(2) Concentrations of Credit Risk

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

Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of December 31, 2004 and 2003, BOCS had no significant concentrations of credit risk in relation to grant receivables.

BOCS maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At December 31, 2004, total cash balances held at financial institutions was \$470,497. Of this amount, \$100,000 was insured by FDIC and the remaining amount of \$370,497 was secured by the bank as pledged securities. At December 31, 2003, total cash balances held at financial institutions was \$435,325. Of this amount, \$102,644 was insured by FDIC and the remaining amount of \$332,681 was secured by the bank as pledged securities.

(3) Grant Receivables

Various funding sources provide reimbursement of allowable costs under contracts or agreements. These balances represent amounts due from funding sources at December 31, 2004 and 2003, but received after those dates.

(4) Property and Equipment

Property and equipment consisted of the following at December 31, 2004:

	Estimated Depreciable Life		urchased th Federal Funds		rchased With n— Federal Funds	_	Total
Buildings	20– 30 years	\$	730,339	\$	22,200	\$	752,539
Land			35,966		-		35,966
Furniture and equipment	5 10 years		168,334		75,921		244,255
Vehicles	5 years		692,800		110,448		803,248
Accumulated depreciation		(1,026,599)	(150,354)	(1,176,953)
Net investment in property and e	quipment	\$	600,840	\$	58,215	\$	659,055

Depreciation expense for the year ended December 31, 2004 was \$93,245.

Property and equipment consisted of the following at December 31, 2003:

	Estimated Depreciable Life	-	urchased th Federal Funds		irchased With n– Federal Funds		Total
Buildings	20– 30 years	\$	730,339	\$	22,200	\$	752,539
Land			35,966		_		35,966
Furniture and equipment	5- 10 years		168,334		75,921		244,255
Vehicles	5 years		612,968		110,449		723,417
Accumulated depreciation	ŕ	(951,432)	(132,277)	(1,083,709)
Net investment in property and	equipment	\$	596,175	\$	76,293	\$	672,468

Depreciation expense for the year ended December 31, 2003 was \$100,683.

(5) Due To and From Other Funds

The following schedule represents amounts due to and due from other funds at December 31, 2004 and 2003:

_	200)4	20	103
	Due From	Due To	Due From	Due To
Fund	Other Funds	Other Funds	Other Funds	Other Funds
Unrestricted Fund	367,471	\$ 29,342	\$ 127,488	\$ 48,412
Restricted Funds:				
Head Start	61,971	15,634	48,444	5,171
Child and Adult Care Food	9,442	73,790	6,390	47,887
Community Services Block Grant	-	36,635	27,344	63,129
Transit System	-	14,541	23,559	21,950
Family Day Care Home	6,047	23,893	13,928	16,000
Low- Income Home Energy Assistan	ice 9,188	6,182	182	17,262
Weatherization	-	9,372	633	34,968
Johnny Gray Jones Youth Shelter	66,842	272,798	81,741	60,708
Johnny Gray Jones – School Lunch	11,518	50,292	10,811	25,033
<u>\$</u>	532,479	\$ 532,479	<u>\$ 340,520</u>	\$ 340,520

(6) Accrued Liabilities

At December 31, 2004 and 2003, accrued liabilities consisted of the following:

	 2004	2003
Accrued payroll	\$ 8,545	\$ 89,979
Accrued leave	45,932	56,850
Health insurance	108,506	- .
Retirement payable	11,694	_
Payroll taxes payable	 452,319	 70,261
	\$ 626,996	\$ 217,090

(7) Refundable Advances

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

(8) Designated Net Assets

The designated fund balance at December 31, 2004 and 2003 consisted of \$23,017 and \$138,553, respectively, that is designated for the Johnny Gray Jones Youth Shelter Program.

(9) Contractual Revenue – Grants

During the years ended December 31, 2004 and 2003, BOCS received contractual revenue from federal and state grants in the amount of \$5,727,567 and \$5,569,919, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources.

(10) Leases

BOCS leases certain buildings and equipment under operating leases. Rental costs on those leases for the years ended December 31, 2004 and 2003 were \$19,713 and \$22,325, respectively. No leases have initial or remaining non—cancelable terms in excess of one year.

(11) Retirement Plan

Effective May 1, 2001, BOCS began offering a 403(b) plan for its employees. Employees with at least one year of service may contribute a portion of their wages to the plan. An amount equal to 5% of the salary of eligible employees is contributed to the plan by BOCS.

The amount contributed by BOCS to retirement plans on the employees' behalf for the years ended December 31, 2004 and 2003 was \$ 85,770 and \$119,898, respectively.

(12) Contingency

The Louisiana Legislative Auditor's Office and the District Attorney for the Twenty-Sixth Judicial District have begun investigations into certain expenditures and other financial activity of the agency. This investigation is on-going as of November 21, 2005, and the resulting outcome cannot be determined at this time.

BOCS owes approximately \$455,000 in payroll taxes for 2004 and an additional \$130,000 for 2005. The amount of any penalties and interest which may be assessed on these amounts has not yet been determined.

(13) Long-Term Debt

Long-term debt at December 31, 2004 and 2003, consisted of the following:

		2004		2003
Note payable to a bank, with interest at 9.5%, payable in 60 monthly installments of \$268.60, including interest, with final payment due September, 2005, secured by a vehicle	\$	1,569	\$	5,179
Note payable to a bank, with interest at 8.5%, payable in 60 monthly installments of \$268.60, including interest, with final payment due September, 2005, secured				
by a vehicle		12,011		15,579
		13,580		20,758
Less current installments	(4,875)	(5,890)
Long-term portion	\$	8,705	\$	14,868

Approximate maturities of long-term debt are summarized as follows:

For the Year Ending	Approximate
December 30,	Amount
2005	\$ 4,875
2006	3,599
2007	3,916
2008	1,190
	\$ 13,580

Interest expense for the year ended December 31, 2004 and 2003, was \$1,948 and \$1,471, respectively.

Bossier Offices of Community Services, Inc. Bossier City, Louisiana Combining Schedule of Financial Position December 31, 2004

	Hean And Hean Pro	Head Start and Early Head Start Program	Child Nutrition		Community Services		Transit Services	Family Day Care Home	Home Energy Assistance	Weatherization Assistance	7 Youth Shelter	School Lunch		Genera! Services		Total
Assets Cash Grant receivables Other receivables Prepaid expenses Due from other funds	45	3,092 931 26,618 61,971	\$ 78 93	509 8,096 3,327 9,442	\$ 40,892 897 2,377	٠,	9,202 1,625 7,028	\$ 13,289 131,792 1,035 6,047	\$ 9,188	\$ 6,813 42,195	\$ 111,480 154,844 9,480 66,842	\$ 14,933 23,841 11,518	₩	103,664 9,825 367,471	40	303,874 433,290 28,299 32,322 532,479
Total current assets		92,612	6	91,374	44,166		17,855	152,163	9,188	49,008	342,646	50,292		480,960		1,330,264
Property and equipment Accumulated depreciation	<u> </u>	1,469,069 (882,721)			5,820 (4,747)		115,480 (115,480)	3,090 (2,760)	4,140 (2,615)	29,840 (18,275)	189,820 (132,200)			18,750 (18,155)	_	1,836,009 (1,176,953)
Net property and equipment		586,348			1,073			330	1,525	11,565	57,620			595		659,056
Total Assets	\$	678,960	\$	1,374	\$ 45,239	~ ~	17,855	\$ 152,493	\$ 10,713	\$ 60,573	\$ 400,266	\$ 50,292	* ∥ 	481,555	es-	1,989,320
Liabilities and Net Assets																
Current liabilities: Accounts payable Accrued fiabilities Current portion of long-term debt	.pt	270	\$ 24		\$ 1,818 5,713	**	780	\$ 124,341 2,492	\$ 1,267	\$ 36,439 2,056	\$ 22,264 24,567 4,875	∞	₩.	572,507	€>	211,196 626,996 4,875
ove to orner funds Other Liabilities Refundable advance		58,951	-	3,780	30,033	•	14,54	1,437	6,182	9,3/2 1,141	86/7/7	50,292	7	29,342		532,479 2,578 58,951
Fotal current liabilities		92,612	66	18,587	44,166		15,321	152,163	8,573	49,008	324,504	50,292		601,849		1,437,075
Long-term debt, less current portion	rtion										8,705					8,705
vet Assets: Unrestricted: Operating			2)	(7,213)			2,534		615					(120,889)		(124,953)
programs programs Fixed assets		586,348		1	1,073		ĺ	330	1,525	11,565	23,017 44,040		 	595		23,017 645,476
Total net assets		586,348		(7,213)	1,073	امما	2,534	330	2,140	11,565	67,057	E	ŀ	(120,294)		543,540
Total Liabilities and Net Assets	w	678,960	٠,	91,374	\$ 45,239	€5	17,855	\$ 152,493	\$ 10,713	\$ 60,573	\$ 400,266	\$ 50,292	<i>ح</i> 2	481,555	•	1,989,320

Bossier Offices of Community Services,Inc. Bossier City, Louisiana Combining Schedule of Activities For the Year Ended December 31, 2004

	Head Start and Early Head Start	Child	Community	Transit	Family Day Care	Ноте Елегду	Weatherization	Youth	School	General	
Revenues and Other Support:		ואמנוויזומוו	Services	Selvices	2115	Assistance	Assistance	Sileiter	Luligi	Services	lotal
Contractual revenue-grants Miscellaneous revenues	\$ 2,886,973	\$ 275,066	\$ 238,498 60	\$ 60,725	\$ 529,411	\$ 41,455	\$ 639,496	\$ 972,518 165,005	\$ 64,405 38,884	\$ 19,020 366	\$ 5,727,567 207,744
l otal revenues and other support	2,887,122	275,066	238,558	64,005	529,411	41,455	639,496	1,137,523	103,289	19,386	5,935,311
Expenses:											
Salaries	1,476,996	112,092	121,115	30,036	62,464	23,033	105,692	874,527	28,105		2,834,060
Fringe Benefits	615,734	62,486	35,558	17,328	11,464	9,344	19,194	92,194	00	230,261	1,093,563
Equipment and maintenance	33,00/ 42,141	2,030	7.970	9.627	1.824	90/		59,/03	490		105,650 61.562
Occupancy	103,716		1,423	1,047	1,503		871	37,324			145,884
insurance	150.551		20.964	3.342	939		5,722 13,608	3,733			45,997 210.467
Vehicle Operation	25,222		3,770	5,067			4,447	2,928			41,434
Supplies and postage	82,178	14,579	11,511	512	2,051		98,119		99	78	209,094
Professional services Food and related complies	42,286	35	1,477		AAA E12		173,781	6,041	663 76		223,620
Miscellaneous	183,886	23,795	9,414	3,898	710444	753	215,849	145,670	74,022	3,320	586.585
Client assistance payments			8,180							22,825	31,005
uepreclation	68,459		8833		/81	832	4,786	16,712		1,366	93,245
Total expenses	2,875,749	282,279	239,451	71,754	529,608	34,730	643,069	1,262,593	103,289	258,762	6,301,284
Change in net assets	11,373	(7,213)	(883)	(7,749)	(197)	6,725	(3,573)	(125,070)		(239,376)	(365,973)
Transfers							(1,213)			1,213	
Net assets, as of beginning of year	574,975		1,966	10,283	527	(4,585)	16,351	192,127		117,869	909,513
Net assets, as of end of year	\$ 586,348	\$ (7,213)	\$ 1,073	\$ 2,534	\$ 330	\$ 2,140	\$ 11,565	\$ 67,057	.	\$ (120,294)	\$ 543,540

Bossier Office of Community Services, Inc. Bossier City, Louisiana Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	litures
U.S. Department of Health and Human Services Direct Programs: Head Start (Fy 1-31-04) Head Start (Fy 1-31-05)	93.600 93.600	06CH0190/21 06CH0190/22	\$ 2,6	261,710 2,625,412
Passed through Louisiana Department of Labor				
Community Services Block Grant	93.569	2003N0033 & 2004N0033		232,845
Passed through Louisiana Department of Social Services - Office of Community Services Title XIX Transportation (Fy 6-30-04) Title XIX Transportation (Fy 6-30-05)	93.667 93.667	Unknown Unknown		19,249 24,971
Passed through Louisiana Housing Finance Agency Low Income Home Energy Assistance Program Weatherization Assistance Program (Fy 3-31-04) Weatherization Assistance Program (Fy 3-31-05)	93.568 93.568 93.568	Unknown Unknown Unknown	— m	33,898 126,186 512,097
Total U.S. Department of Health and Human Services			3,8	3,836,368

(Continued)

Bossier Office of Community Services, Inc. Bossier City, Louisiana Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2004 (Continued)

Federal Grantor / Pass-Through Grantor / Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
U.S. Department of Agriculture Passed through Louisiana Department of Education Child Care Food Program (FDCH) (Fy 9-30-04) Child Care Food Program (Head Start) (Fy 9-30-04) Child Care Food Program (Head Start) (Fy 9-30-04) Child Care Food Program (Head Start) (Fy 9-30-05) National School Lunch Program (Fy 6-30-04)	10.558 10.558 10.558 10.558 10.555	N/A N/A N/A N/A	311,999 217,412 196,970 85,309 25,400 15,399
Total Department of Agriculture			852,489
U.S. Department of Housing and Urban Development Passed through City of Bossier City Community Development Block Grant - Transportation Assistance (Fy 6-30-04) Community Development Block Grant - Transportation Assistance (Fy 6-30-05)	14.218	N/A N/A	6,755
Total Department of Housing and Urban Development			16,505
U.S. Department of Homeland Security Passed through a local governing board Emergency Food and Shelter (FEMA)	97.024	Unknown	19,020
Total Federal Emergency Management Agency			19,020
Total Federal Expenditures		·	\$ 4,724,382

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

COOK & MOREHART

Certified Public Accountants

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

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

C BRYAN COYLE CPA

TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G COOK (RET.)

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

Bossier Office of Community Services, Inc.

Bossier City, Louisiana

We were engaged to audit the financial statements of Bossier Office of Community Services, Inc. (a nonprofit organization) as of and for the year ended December 31, 2004, 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. In our report thereon dated September 15, 2005 we did not express an opinion on the financial statements due to inadequacies in the accounting records in regards to cash, interagency balances, payroll, and payroll liabilities, including retirement payable.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bossier Office of Community Services' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Bossier Office of Community Services' ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-B1, 2004-B2, 2004-B4, 2004-B5, and 2004-B6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-B1, 2004-B2, and 2004-B5 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Bossier Office of Community Services, 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 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 2004-B3 and 2004-B7.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cook & Morehart

Certified Public Accountants

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September 15, 2005

COOK & MOREHART

Certified Public Accountants

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

TRAVIS H. MOREHART, CPA A. EDWARD BALL, CPA VICKIE D. NOBLE, CPA TELEPHONE (318) 222-5415

FAX (318) 222-5441

RAYEBURN G. COOK (RET)

C BRYAN COYLE, CPA

MEMBER
AMERICAN INSTITUTE
CERTIFIED PUBLIC ACCOUNTANTS

SOCIETY OF LOUISIANA CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors Bossier Office of Community Services, Inc. Bossier City, Louisiana

Compliance

We have audited the compliance of Bossier Office of Community Services, Inc. with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. Bossier Office of Community Services, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Bossier Office of Community Services, Inc.'s management. Our responsibility is to express an opinion on Bossier Office of Community Services, Inc.'s compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Bossier Office of Community Services, Inc.'s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Bossier Office of Community Services, Inc.'s compliance with those requirements.

As described in item 2004-C5 in the accompanying schedule of findings and questioned costs, Bossier Office of Community Services, Inc. did not comply with requirements regarding allowable costs / cost principles that are applicable to its Head Start, Early Head Start, Low-Income Home Energy Assistance and Weatherization programs, and Child and Adult Care Food Programs. Compliance with such requirements is necessary, in our opinion, for Bossier Office of Community Services, Inc. to comply with requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, Bossier Office of Community Services, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004.

Internal Control Over Compliance

The management of Bossier Office of Community Services, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Bossier Office of Community Services, Inc.'s internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Bossier Office of Community Services, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2004-C1, 2004-C2, 2004-C3, 2004-C4, and 2004-C6.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions, and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 2004-C1 and 2004-C4 to be material weaknesses.

This report is intended solely for the information and use of management, the Board of Directors and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Cook & Morehart

Certified Public Accountants

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September 15, 2005

Bossier Office of Community Services, Inc. Bossier City, Louisiana Summary Schedule of Prior Audit Findings December 31, 2004

There were no findings for the prior audit period ending December 31, 2003 relating to major federal awards programs.

Schedule of Findings and Questioned Costs December 31, 2004

A. Summary of Audit Results

- The auditor's report expresses a disclaimer of opinion on the financial statements of Bossier Office of Community Services, Inc.
- Five reportable conditions are reported in the Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards. Three of the conditions are reported as a material weakness.
- 3. Two instances of noncompliance material to the financial statements of Bossier Office of Community Services, Inc. were disclosed during the audit.
- 4. Five reportable conditions are reported in the Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133. Two of the conditions are reported as material weaknesses.
- 5. The auditor's report on compliance for the major federal award programs for Bossier Office of Community Services, Inc. expresses a qualified opinion.
- 6. Audit findings relative to the major federal award programs for Bossier Office of Community Services, Inc. that are reported in part C of this Schedule.
- 7. The programs tested as major programs included: 1) Head Start Program and Early Head Start Program CFDA #93.600; 2) Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558; and 3) Low-Income Home Energy Assistance Program and Weatherization Program CFDA #93.568.
- 8. The threshold for distinguishing Types A and B programs was \$300,000.
- 9. Bossier Office of Community Services, Inc. did not qualify as a low-risk auditee.

B. Findings – Financial Statements Audit

2004-B1 MATERIAL WEAKNESS

Statement of Condition: Federal and state payroll tax deposits for 2004 and 2005 were not made timely or not made at all for certain periods of time. Federal and state payroll tax reports were incorrectly filed or not filed at all for 2004 and the first six months of 2005.

Criteria: Federal and state payroll tax deposits and payroll tax reports are required to be filed according to prescribed schedules by the Internal Revenue Service, Social Security Administration, and the State of Louisiana.

Effect: Approximately \$455,000 in payroll taxes are due for 2004 and an additional \$130,000 for 2005 are due. These amounts do not include any penalties which may be assessed.

Cause: No procedures were in place to ensure that the appropriate payroll tax deposits and payroll tax reports were being filed timely.

Recommendation: Procedures should be established to ensure that payroll tax deposits and payroll tax reports are filed correctly and timely. We recommend that all payroll tax reports which have not been filed be filed and those filed incorrectly be amended. We recommend that arrangements be made to obtain a payback plan with the federal and state agencies for payroll taxes owed.

Response: The Bossier Office of Community Services has new personnel that have been assigned the duties of filing reports correctly and timely. CPA firm will work with staff to ensure that payroll reports are amended. Management will work with CPA firm to obtain a payback plan with appropriate federal and state agencies.

2004-B2 MATERIAL WEAKNESS

Statement of Condition: Reimbursements to the payroll account from the Johnny Gray Jones Youth Shelter programs were not always made timely and sometimes were not made at all. The amount estimated that was not reimbursed by the Johnny Gray Jones Youth Shelter programs to the payroll account was approximately \$275,000 for 2004 and \$115,000 for 2005.

Criteria: The various programs of BOCS reimburse the payroll account for all payrolls and payroll related costs, such as payroll taxes, medical insurance, and retirement.

Effect: The payroll account was under-funded, which resulted in payroll related costs such as payroll taxes, medical insurance, and retirement being paid late or not being paid at all. Payroll taxes that were not paid were approximately \$455,000 for 2004 and approximately \$130,000 for 2005. The amounts not paid for retirement have not yet been determined.

Cause: Procedures were not in place to ensure that the appropriate amounts were reimbursed to the payroll account on a timely basis. Also, the Johnny Gray Jones Youth Shelter programs were not financially monitored to ensure that funds were available to be reimbursed to the payroll account for payroll and related costs.

Recommendation: Procedures should be established to ensure that the payroll account is reimbursed by the various programs on a timely basis. Procedures should be established to properly monitor the financial activity of the Johnny Gray Jones Youth Shelter programs to ensure funds are available to reimburse the payroll account on a timely basis for payroll and related costs. BOCS should also analyze the payments made and those not made concerning the retirement plan.

Response: Procedures have been in place to ensure that all programs reimbursed the payroll account since July 2005. The Executive Director, the Johnny Gray Jones Youth Shelter Director and the new Finance Director with meet on a monthly basis to monitor the financial activities of the Shelter to ensure funds are available to reimburse the payroll account and retirement plan. In addition, reconciliation of Payroll Tax and Retirement reports will be performed on a quarterly basis to the general ledger and reported to the Agency Director. Furthermore, the Finance Director will report to Agency's Board of Director Finance Committee the financial activities of all programs.

2004-B3 FINDING

Statement of Condition: During our audit, certain questionable disbursements were brought to our attention involving a former accounting employee. The information has been disclosed to the Louisiana Legislative Auditor's Office and the District Attorney for the Twenty-Sixth Judicial District. Both of those agencies have opened investigations in regards to the questionable payments. Those investigations are ongoing at this time. An estimate of the total dollar value of questionable amounts cannot be determined at this time.

Recommendation: We recommend that the management and Board of Directors of BOCS continue working with the Louisiana Legislative Auditor's Office and the District Attorney for the Twenty-Sixth Judicial District throughout their investigations.

Response: The Bossier Office of Community Services Board and management will continue to work with the offices of the Louisiana Legislative Auditor and the District Attorney Office for the 26th Judicial District to resolve the investigation.

2004-B4 REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that the individual in charge of the agency's general ledger also had access to the signature stamps of the authorized check signers. We also noted that checks were being returned to the accounting department for mailing after necessary signatures had been obtained.

Recommendation: We recommend that adequate controls be established to ensure that individuals responsible for the general ledger and payables functions do not have access to signature stamps. We also recommend that the custody of checks after signature and before mailing be handled by an employee independent of all payable, disbursing, cash, receiving, and general ledger functions

Response: Bossier Office of Community Services has developed a procedure to ensure those individuals in charge of the agency's general ledger and accounts payable have no access to the signature stamp. The procedure also states that an employee independent from the finance department will handle the custody of check after signature and before mailing.

2004-B5 - MATERIAL WEAKNESS

Statement of Condition: During our audit, the following items were noted concerning the agency's general ledgers:

- Bank reconciliations were not prepared correctly.
- Interagency (due to / due from) accounts were not reconciled.
- Withholding accounts on the payroll general ledger were not reconciled on a monthly basis.
- Numerous posting errors were noted in the agency's general ledgers.
- Journal entries were made in the general ledger without explanation or supporting documents to substantiate the entries.

As a result of the above noted problems, numerous audit adjustments had to be made to correct the agency's general ledgers, which caused significant additional audit time.

Recommendation: We recommend that each agency's general ledger be printed out on a monthly basis and reviewed for posting errors. Bank reconciliations should be reviewed and tied to the agency's general ledgers each month, and corrections to the general ledgers should be made on a monthly basis to ensure a proper financial monitoring of the agency's various programs. All journal entries made to the general ledger should be approved by the appropriate personnel and supporting documentation should be maintained to substantiate the entries made.

Response: The Agency Director and the Finance Director will meet on a monthly basis to review the financial activities of the finance department which will include the review of posting errors of each agency's general ledgers and corrections to ensure financial monitoring of the agency's programs.

2004-B6 - REPORTABLE CONDITION

Statement of Condition: We noted the following items during our testing of payroll transactions:

- Seven transactions tested did not have original supervisor approval noted on timesheets.
- For four transactions tested, the pay rate authorization form did not identify the programs and allocations to be charged.
- We noted several instances where the agency was writing the payroll checks in advance, prior to the end of the pay period.
- Payroll check numbers on cancelled checks were sometimes not in agreement with payroll checks numbers on payroll check registers.
- For three transactions tested, the pay rate authorization form was not physically approved by the executive director.
- Three checks were said to have been voided, but agency did not retain the original voided checks.
- Some payroll check registers and time worked registers were not printed and retained.

Recommendation: We recommend the following:

- Controls be implemented to ensure that appropriate approvals are obtained on timesheets and pay rate authorization forms.
- Pay rate authorization forms identify the programs and allocations to be charged.
- Payroll checks not be prepared prior to pay period ending dates.
- Payroll check registers be prepared correctly to reflect the actual check numbers.
- All voided checks be retained in a central location.
- All check registers and time worked registers be printed and retained.

Response: Bossier Office of Community Services has developed procedures to ensure appropriate approvals are obtained on all timesheets and pay rate authorization forms with the allocation charged. The Finance Director will not process any personal action changes without the Chief Executive Officer approval. The Finance Director will maintain and provide the Executive Director check registers and time registers. Further, payroll checks will not be prepared prior to pay period ending dates. All voided checks will be retained in a central location.

2004-B7 - FINDING

Statement of Condition: Bossier Office of Community Services did not submit its audit report for the year ended December 31, 2004 with six months of its year end as required by state law.

Recommendation: We recommend that the agency implement procedures to ensure that the audit report is submitted in accordance with state audit law.

Response: Bossier Office of Community Services will make every effort necessary to complete and submit its audit within six months after year end.

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

2004-C1 MATERIAL WEAKNESS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start and Early Head Start Programs CFDA #93.600, and Low-Income Home Energy Assistance Program and Weatherization Program CFDA #93.568

DEPARTMENT OF AGRICULTURE

Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558

Statement of Condition: As stated in finding 2004-B5, during our audit, the following items were noted concerning the agency's general ledgers:

- Bank reconciliations were not prepared correctly.
- Interagency (due to / due from) accounts were not reconciled.
- Withholding accounts on the payroll general ledger were not reconciled on a monthly basis.
- Numerous posting errors were noted in the agency's general ledgers.
- Journal entries were made in the general ledger without explanation or supporting documents to substantiate the entries.

As a result of the above noted problems, numerous audit adjustments had to be made to correct the agency's general ledgers, which caused significant additional audit time.

Response: See response at finding 2004-B5.

2004-C2 REPORTABLE CONDITION

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Head Start and Early Head Start Programs CFDA #93.600

Statement of Condition: During our audit, we noted that the agency was not printing out all of the pages of its quarterly PMS SF-272 reports for the Head Start and Early Head Start programs.

Criteria: OMB Circular A-133 Compliance Supplement identifies reporting on SF-272 reports as an applicable requirement of the Head Start program.

Effect: We were unable to test the amounts reported for two quarters.

Recommendation: We recommend that the agency retain complete copies of all financial reports filed with funding sources.

Response: The agency will retain copies of all financial reports filed with funding source.

2004-C3 REPORTABLE CONDITION

DEPARTMENT OF AGRICULTURE — Child and Adult Care Food Program (Family Day Care Home Program) CFDA #10.558

Statement of Condition: During our audit, we tested 25 provider files for compliance with the eligibility requirements of the Family Day Care Home program. We noted the following during our file exam:

- For three files tested, the number of meals reported on the claim for reimbursement did not agree with the supporting documents.
- For five files tested, the resident / non-resident status on the enrollment form was either incorrect or incomplete.

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

Effect: Amounts paid to the providers described above may have been incorrect.

Recommendation: We recommend that the agency assign someone with the responsibility for reviewing files on a continuing basis to ensure completeness and accuracy of information.

Response: The Family Day Care Home's on-going monitoring system, the program director is responsible for reviewing files on a continuing basis for completeness and accuracy of records. The Director will submit a record-keeping report to the CEO on a monthly basis.

2004-C4 MATERIAL WEAKNESS

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start and Early Head Start Programs CFDA #93.600, and Low-Income Home Energy Assistance Program and Weatherization Program CFDA #93.568

DEPARTMENT OF AGRICULTURE

Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558

Statement of Condition: As stated in finding 2004-B1, Federal and state payroll tax deposits for 2004 and 2005 were not made timely or not made at all for certain periods of time. Federal and state payroll tax reports were incorrectly filed or not filed at all for 2004 and the first six months of 2005.

Response: See response at finding 2004-B1.

2004-C5 FINDING

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start and Early Head Start Programs CFDA #93.600, and
Low-Income Home Energy Assistance Program and Weatherization Program CFDA #93.568

DEPARTMENT OF AGRICULTURE

Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558

Statement of Condition: As stated in finding 2004-B3, during our audit, certain questionable disbursements were brought to our attention involving a former accounting employee. The information has been disclosed to the Louisiana Legislative Auditor's Office and the District Attorney for the Twenty-Sixth Judicial District. Both of those agencies have opened investigations in regards to the questionable payments. Those investigations are ongoing at this time. An estimate of the total dollar value of questionable amounts cannot be determined at this time.

Response: See response at finding 2004-B3.

2004-C6 REPORTABLE CONDITION

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Head Start and Early Head Start Programs CFDA #93.600, and Low-Income Home Energy Assistance Program and Weatherization Program CFDA #93.568

DEPARTMENT OF AGRICULTURE

Child and Adult Care Food Program (FDCH and Head Start) CFDA #10.558

Statement of Condition: As stated in finding 2004-B4, during our audit, we noted that the individual in charge of the agency's general ledger also had access to the signature stamps of the authorized check signers. We also noted that checks were being returned to the accounting department for mailing after necessary signatures had been obtained.

Response: See response at finding 2004-B4.

Bossier Office of Community Services, Inc.
Bossier City, Louisiana
Summary Schedule of Prior Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2004

There was one finding for the prior audit period ended December 31, 2003 relating to the financial statement audit, as shown below.

2003-B1 - REPORTABLE CONDITION

Statement of Condition: During our audit, we noted that reimbursements to the payroll account from the various programs for retirement were not calculated correctly during the year. This resulted in reimbursements to the payroll account in excess of actual amounts paid for retirement. In addition, we noted that the actual payments to the retirement plan were not made timely during the year. We also noted that payroll tax payments were not made timely or consistently during the year.

Current Status: See 2004-B1 and 2004-B2 in current year audit.

There were five management letter comments for the prior year audit ended December 31, 2003, as follows:

(1) CREDIT CARDS / CHARGE ACCOUNTS

No comment in current year audit.

(2) RECONCILIATION OF PAYROLL TAX REPORTS

See finding in current year audit.

(3) EARLY HEAD START FILE EXAM

No comment in current year audit.

(4) HEAD START FINAL REPORT

No comment in current year audit.

(5) LOAN AUTHORIZATION

No comment in current year audit.

Bossier Office of Community Services, Inc.
Bossier City, Louisiana
Corrective Action Plan For Current Year Audit Findings
Schedule For Louisiana Legislative Auditor
December 31, 2004

There were nine findings for the current year audit for the year ended December 31, 2004, as described in the accompanying Schedule of Findings and Questioned Costs.

There were no management letter comments for the year ended December 31, 2004.