

Bayou Council on Alcoholism

Financial Statements
and Independent Auditor's Report
June 30, 2003

Bayou Council on Alcoholism

**Financial Statements and Independent Auditor's Report
As of and for the Year Ended
June 30, 2003**

Table of Contents

	Page
Independent Auditor's Report	1
Financial Statements -	
Statement of Financial Position	2
Statement of Activities	3
Statement of Functional Expenses	4
Statement of Cash Flows	5
Notes to Financial Statements	6-11
Supplemental Information -	
Schedule of Findings and Questioned Costs	12-13
Schedule of Prior Findings and Resolution Matters	14-17
Special Report of Certified Public Accountants -	
Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	18-19
Management's Corrective Action Plan for Current Year Findings	20

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Bayou Council on Alcoholism
Thibodaux, Louisiana

We have audited the accompanying statement of financial position of Bayou Council on Alcoholism (a nonprofit organization) as of June 30, 2003, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and 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 Bayou Council on Alcoholism as of June 30, 2003, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 31, 2003, on our consideration of Bayou Council on Alcoholism's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.



October 31, 2003

FINANCIAL STATEMENTS SECTION

Bayou Council on Alcoholism

Statement of Financial Position
June 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 250
Unconditional promises to give:	
Governmental grants	10,919
Prepaid expenses	<u>4,326</u>

TOTAL CURRENT ASSETS 21,495

Property and equipment, net of accumulated depreciation of \$25,578	<u>43,084</u>
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TOTAL ASSETS \$ 64,579

LIABILITIES AND NET ASSETS

Liabilities:

Bank overdraft	\$ 6,601
Line of credit	20,200
Accounts payable	<u>208</u>

TOTAL LIABILITIES 33,109

Net Assets:

Unrestricted	<u>31,470</u>
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TOTAL LIABILITIES AND NET ASSETS \$ 64,579

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

Bayou Council on Alcoholism

Statement of Activities
Year Ended June 30, 2003

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
REVENUES, OTHER SUPPORT, AND RECLASSIFICATIONS			
Government grants	\$ 155,040	\$ -	\$ 155,040
United Way grant		58,790	\$ 58,790
Contributions	428	-	428
Program service fees	48,190	-	48,190
Net assets released from restrictions	<u>58,790</u>	<u>(58,790)</u>	<u>-</u>
TOTAL REVENUES, OTHER SUPPORT, AND RECLASSIFICATIONS	<u>263,408</u>	<u>-</u>	<u>263,408</u>
FUNCTIONAL EXPENSES			
Program services	258,548	-	258,548
Management and general	<u>17,898</u>	<u>-</u>	<u>17,898</u>
TOTAL FUNCTIONAL EXPENSES	<u>276,446</u>	<u>-</u>	<u>276,446</u>
DECREASE IN NET ASSETS	(13,138)	-	(13,138)
NET ASSETS, BEGINNING OF PERIOD	<u>44,608</u>	<u>-</u>	<u>44,608</u>
NET ASSETS, END OF PERIOD	<u>\$ 31,470</u>	<u>\$ -</u>	<u>\$ 31,470</u>

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

Bayou Council on Alcoholism

Statement of Functional Expenses
Year Ended June 30, 2003

	<u>Program Services</u>	<u>Management and General</u>	<u>Total</u>
Salaries	\$ 136,936	\$ 6,681	\$ 133,619
Contract counselors and services	29,180	1,535	30,695
Insurance	35,720	1,353	37,073
Rent	12,907	679	13,586
Coalition award	10,070	530	10,600
Payroll taxes	9,873	520	10,393
Office supplies	8,175	430	8,605
Accounting	7,030	370	7,400
Telephone	6,296	331	6,627
Travel	4,313	237	4,550
Utilities	4,149	218	4,367
Equipment rental	4,021	212	4,233
Employee benefits	3,364	177	3,541
Fees	1,968	102	2,070
Postage	1,188	63	1,251
Dues and subscriptions	667	47	714
Interest	743	39	782
Other expenses	725	38	763
Entertainment	448	24	472
Advertising	440	23	463
Repairs and maintenance	329	17	346
Taxes and licenses	134	7	141
Total expenses before depreciation	<u>268,848</u>	<u>13,623</u>	<u>272,471</u>
Depreciation	<u>-</u>	<u>4,075</u>	<u>4,075</u>
Total expenses	<u>\$ 268,848</u>	<u>\$ 17,698</u>	<u>\$ 276,546</u>

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

Bayou Council on AlcoholismStatement of Cash Flows
Year Ended June 30, 2003**CASH FLOWS FROM OPERATING ACTIVITIES:**

Decrease in net assets	\$ (13,138)
Adjustments to reconcile decrease in net assets to net cash used in operating activities:	
Depreciation	4,075
(Increase) decrease in operating assets:	
Unconditional promises to give	(7,514)
Prepaid expenses	7,585
Increase (decrease) in operating liabilities:	
Bank overdraft	6,601
Accounts payable	(8,090)
Payroll taxes payable	(3,723)
Deferred income	<u>(2,050)</u>

NET CASH USED IN OPERATING ACTIVITIES (17,180)

CASH FLOWS USED IN INVESTING ACTIVITIES:

Purchases of property and equipment	(7,068)
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CASH FLOWS PROVIDED BY FINANCING ACTIVITIES:

Proceeds from line of credit, net	<u>21,405</u>
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NET DECREASE IN CASH AND CASH EQUIVALENTS (2,783)

BEGINNING CASH AND CASH EQUIVALENTS 3,000

ENDING CASH AND CASH EQUIVALENTS \$ 210

SUPPLEMENTAL INFORMATION:

Cash paid during the year for interest	<u>\$ 782</u>
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The accompanying notes are an integral part of these financial statements.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2003

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. NATURE OF THE ORGANIZATION

Bayou Council on Alcoholism (BCOA), a not-for-profit, voluntary health and welfare agency, mission is to create a high degree of awareness in the Louisiana parishes of Terrebonne, Lafourche, St. Mary, Assumption, St. John, St. Charles, and St. James regarding the problem of alcoholism and/or drug abuse, to implement or assist in implementing programs and activities that will be instrumental in preventing and reducing the future incidence of these problems, to encourage the development of prevention programs and services especially geared to high risk youth and families, and to solicit all agencies and concerned people to work cooperatively.

B. BASIS OF PRESENTATION

The financial statements are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

C. NET ASSETS

Net assets and revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of BCOA and changes therein are classified and reported as follows:

Unrestricted net assets - Net assets that are not subject to donor-imposed stipulations.

Temporarily restricted net assets - Net assets subject to donor-imposed stipulations that may or will be met, either by action of BCOA and/or the passage of time. When a restriction expires, temporarily restricted net assets are classified to unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Permanently restricted net assets - Net assets subject to donor-imposed stipulations that they be maintained permanently by BCOA. Generally, the donors of these assets permit the Organization to use all or part of the income earned on any related investments for general or specific purposes.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2003

D. BAD DEBTS

The financial statements of BCOA contain no allowance for uncollectible promises to give. Uncollectible accounts are recognized as an expense at the time information becomes available that indicates the amounts are uncollectible. While generally accepted accounting principles require that bad debts be recorded utilizing the allowance method, the difference between the two methods is immaterial to the Organization as management considers all promises to give to be fully collectible.

E. PROPERTY AND EQUIPMENT

Property and equipment is stated at cost. Depreciation is computed utilizing the straight line method over estimated useful lives of five to seven years. Property and equipment acquisitions are capitalized if the purchase price exceeds \$300 and the asset has a useful life of greater than one year.

F. FUNCTIONAL ALLOCATION OF EXPENSES

The costs of providing the 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.

G. ESTIMATES

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

H. CASH AND CASH EQUIVALENTS

For the purpose of the statement of cash flows, BCOA considers all unrestricted cash and other highly liquid investments with initial maturities of three months or less to be cash equivalents.

I. INCOME TAXES

BCOA is a not-for-profit, voluntary health and welfare agency exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. It has been classified as an organization that is not a private foundation under Section 509(a)(1) of the Internal Revenue Code and qualifies for the 50% charitable contributions deduction for individual donors.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2003

J. ADVERTISING

Advertising costs are expensed as incurred and are included in functional expenses. Advertising expenses totaled \$403 during the year ended June 30, 2003.

NOTE 2 - FUNDING POLICIES

BCOA receives funding on a reimbursement for actual expense basis from the Louisiana State Department of Health and Hospitals/Division of Alcohol and Drug Abuse as pass through agent for federal funding from the United States Department of Health and Human Services.

BCOA receives local funding from the United Way for South Louisiana. These monies are received by BCOA in monthly installments.

NOTE 3 - PROMISES TO GIVE

Unconditional promises to give consist of the following:

State of Louisiana:	
Department of Health and Hospitals	\$ 5,182
Department of Health and Hospitals - SYMAN	<u>11,737</u>
	<u>\$16,919</u>

All unconditional promises to give are due within one year and are considered to be fully collectible by management.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2003

NOTE 4 - PROPERTY AND EQUIPMENT

A summary of changes in property and equipment follows:

	<u>Balance</u> <u>July 1, 2002</u>	<u>Additions</u>	<u>Dispositions</u>	<u>Balance</u> <u>June 30, 2003</u>
Land	\$ 33,000	\$ -	\$ -	\$ 33,000
Furniture and fixtures	<u>48,661</u>	<u>7,688</u>	<u>17,977</u>	<u>35,662</u>
	79,661	7,688	17,977	68,662
Accumulated depreciation	<u>39,490</u>	<u>4,675</u>	<u>17,977</u>	<u>25,578</u>
	<u>\$ 40,071</u>	<u>\$ 3,013</u>	<u>\$ -</u>	<u>\$ 43,084</u>

NOTE 5 - LINE OF CREDIT

To aid in cash flow management, on April 3, 1998, the Organization entered into a revolving line of credit agreement with a local bank. This agreement includes a maximum borrowing limit of \$50,000, an interest rate of Wall Street Journal prime plus 3%, and requires monthly payments of three percent of the outstanding principal balance plus accrued interest. At December 31, 2003, the Organization owed \$29,200 under this agreement.

NOTE 6 - CONCENTRATION OF CREDIT RISK

The Organization maintains one bank account which is insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. Cash at this institution did not exceed federally insured limits at any point during the year ended June 30, 2003.

Financial instruments that potentially subject the Organization to concentrations of credit risk consist principally of promises to give due from the State of Louisiana Department of Health and Hospitals, Lafourche Parish, City of Thibodaux, and the United Way for South Louisiana. Because these receivables are passed through support from the federal or state governments or local donors the Organization requires no collateral for these amounts.

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2003

NOTE 7 - FAIR VALUES OF FINANCIAL INSTRUMENTS

The Organization's financial instruments, none of which are held for trading purposes, include cash and cash equivalents and unconditional promises to give. Management estimates that the fair value of all financial instruments at June 30, 2003 does not differ materially from the aggregate carrying values of its financial instruments recorded in the accompanying statement of financial position.

NOTE 8 - GOVERNMENT AND LOCAL GRANTS

During the year ended June 30, 2003 the Organization received unconditional promises to give in the form of grants from the following governmental and local grantors:

Government Grants

State of Louisiana/Department of Health and Hospitals/Division of Alcohol and Drug Abuse/Lafourche-Contract Grant	\$118,542
State of Louisiana/Department of Health and Hospitals/Division of Alcohol and Drug Abuse/SYMAR	17,668
Lafourche Parish Award	10,000
Raceland Weed and Seed	7,000
City Court of Thibodaux	<u>1,800</u>
	<u>\$155,010</u>

Local Grants

United Way for South Louisiana Grant	<u>\$ 58,790</u>
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NOTE 9 - OPERATING LEASE

The Organization leases the building from which it operates from an unrelated third party under an agreement dated November 22, 1996. This agreement includes monthly lease payments of \$625 until the termination of the lease in November, 2003. Rent expense incurred under this lease was \$11,100 for the year ended June 30, 2003. Future minimum lease payments under this lease are as follows:

Bayou Council on Alcoholism

Notes to Financial Statements
As of and For the Year Ended June 30, 2003

NOTE 8 – OPERATING LEASE – (Cost)

<u>Year Ended</u> <u>June 30,</u>		
2004	\$	11,100
2005		11,100
2006		11,100
2007		4,825

Note 10 – RETIREMENT PLAN (DEFERRED CONTRIBUTION PLAN)

Effective November 1, 2001, BCOA adopted a profit-sharing plan for its employees titled the BCOA Retirement Plan. The terms of the plan allow the council to contribute up to 15% of the covered compensation for eligible participating employees. The plan's fiscal year ended June 30, 2003.

For the period July 1, 2002, through June 30, 2003, BCOA contributed \$2,379 to the retirement plan for plan participants. As of June 30, 2003, BCOA had 6 employees of which 4 were eligible participants in the plan. Employees need to meet length of service requirements to become eligible to participate and to gradually vest in employer contributions. No employee contributions are allowed. For June 30, 2003, no forfeitures from employees who terminated without fully being vested have been reallocated to remaining participants. The administration costs of the plan were \$1,161 for the fiscal year ended June 30, 2003.

SUPPLEMENTAL INFORMATION

Bayou Council on Alcoholism

Schedule of Findings and Questioned Costs As of and For the Year Ended June 30, 2003

Section I – Summary of Auditor's Results

1. The auditor's report expressed an unqualified opinion on the financial statements of BCOA.
2. One reportable condition (see finding 03-01) was noted during the audit of the financial statements. This reportable condition was not considered to be a material weakness.
3. No instances of noncompliance material to the financial statements of BCOA, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.
4. A management letter was issued.

Section II – Financial Statement Findings

No findings material to the financial statements of BCOA were noted during the audit.

Section III – Internal Control Findings

03-01

Statement of Condition: A reportable condition in the Organization's internal control.

Criteria: In our consideration of internal control, we noted that the size of Bayou Council on Alcoholism's operations and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control, although to employ such controls may not be cost-beneficial.

Effects of Condition: The internal control, in our judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Cause of Condition: The size of Bayou Council on Alcoholism and its limited accounting staff preclude an adequate segregation of duties and other features of an adequate system of internal control.

Bayou Council on Alcoholism

**Schedule of Findings and Questioned Costs
As of and For the Year Ended
June 30, 2003**

Recommendation: The Board of Directors of Bayou Council on Alcoholism should closely monitor the day-to-day activities of the Organization and implement other control procedures until the agency has grown to the point where it is cost-beneficial to employ an adequate system of internal controls.

Response: The management of Bayou Council on Alcoholism agrees with this finding.

Questioned Costs: \$ _____0.

Section IV – Findings and Questioned Costs – Major Federal Award Program Audit

This section is not applicable.

Bayou Council on Alcoholism

Schedule of Prior Findings and Resolution Matters As of and For the Year Ended June 30, 2003

Note: All prior findings relate to the June 30, 2002 audit engagement.

Section I – Internal Control and Compliance Material to the Financial Statements

Cash Receipts-Lack of Segregation of Duties

Condition: There is not a complete segregation of duties by employees in the cash receipts process that reduce the risks of improper reporting below a low level.

Recommendation: Management has to continue to carefully double check the cash receipts processing periodically and try to eliminate the opportunities for employees to collect the cash receipts and also post the receipts to subsidiary records.

Planned Action: Management will continue to double check cash receipts processing and try to limit the personnel collecting cash receipts. However, limited personnel prevent a total segregation of duties at all times.

Status: The Organization has implemented the recommendation, but the lack of segregation of duties continues to exist. As such, the Board will continue to perform the recommendation.

Employee Advances

Condition: The President of the Board of Directors authorized an unsecured \$2,500 advance to the Executive Director.

Recommendation: Any such items should be done on rare occasion and only with full Board of Directors approval and with adequate security.

Planned Action: The policy for advances will be revised to include the words "with full Board Approval" and will require adequate security to ensure the repayment of such advance.

Status: Resolved

Bayou Council on Alcoholism

Schedule of Prior Findings and Resolution Matters As of and For the Year Ended June 30, 2003

Vacation Pay and Records of Vacation

Condition: The Executive Director was paid for more vacation time than authorized by the Policy and Procedures Manual.

Recommendation: The policy and procedures manual should be reviewed to clearly state comp time procedures such as maximum amount allowed and when it must be taken. The time sheets should make provisions for comp time being taken by an employee.

Planned Action: The policy and procedures manual will be reviewed and revised as necessary, after the comp time issue is researched to determine how to properly allow comp time to employees. The employee time sheets will be revised to reflect comp time taken. Controls will be put in place to monitor comp time usage.

Status: Resolved

Bank Reconciliation Procedures

Condition: Bank reconciliation procedures are performed by the same person who prepares the checks, enters the checks into the general ledger system and has access to blank checks.

Recommendation: Management has to continue to carefully double check the procedures and should try to get someone else to perform the bank reconciliation. Further, management should limit the preparer of checks access to the supply of blank checks.

Planned Action: Director will carefully review all bank reconciliations prepared by other individuals. Periodically, the Director will prepare the reconciliation herself and on occasion will delegate the preparation to another individual. The access to blank checks to the preparer will be limited to the number needed to process the cash disbursements batch. A log reflecting checks issued and used by the preparer will be developed and utilized.

Status: The Organization has implemented the recommendation, but the lack of segregation of duties continues to exist. As such, the Board will continue to perform the recommendation.

Bayou Council on Alcoholism

Schedule of Prior Findings and Resolution Matters As of and For the Year Ended June 30, 2003

Lack of Supporting Invoice

Condition: Payment of some bills that normally require the presentation of an invoice for services rendered were made without the invoice being presented.

Recommendation: Only pay from invoices provided that adequately describes the services rendered.

Planned Action: Invoices will be required for payment and they will be reviewed for services rendered. Checks will only be issued after the invoice has been submitted and approved.

Status: Resolved

No Indication of Approval of Invoice for Payment and Cancellation of Paid Invoice

Condition: Invoices examined did not clearly reflect on the face that they were cancelled as "paid" and invoice and time sheets did not clearly reflect in fact that they were approved for payment.

Recommendation: Put approval and paid indications directly on vendors' invoice and employee timesheets.

Planned Action: All invoices and employee time sheets will reflect approval for payment documenting that it has been reviewed prior to submission for check preparation. All invoices and employee time sheets will be stamped as paid to prevent it from being paid twice.

Status: Resolved

Overpayment of Sick Pay to an Employee

Condition: An employee was paid for sick leave that even though she had previously utilized her sick leave allowable to her for the year by the organization's policy and procedures manual.

Recommendation: Management should get board approval for any deviation from standard policy and procedures.

Planned Action: All deviations from standard policy and policy and procedures will get board approval.

Status: Resolved

Bayou Council on Alcoholism

**Schedule of Prior Findings and Resolution Matters
As of and For the Year Ended June 30, 2003**

Section II – Internal Control and Compliance Material to Federal Awards

This section is not applicable.

Section III – Management Letter

This section is not applicable.

SPECIAL REPORTS OF CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors
Bayou Council on Alcoholism
Thibodaux, Louisiana

We have audited the financial statements of Bayou Council on Alcoholism as of and for the year ended June 30, 2003 and have issued our report thereon dated October 31, 2003. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Bayou Council on Alcoholism's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards. However, we noted an immaterial instance of noncompliance, which we have reported to the management of Bayou Council on Alcoholism in a separate letter dated October 31, 2003.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Bayou Council on Alcoholism's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. 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 Bayou Council on Alcoholism's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

Board of Directors
Goyos Council on Alcoholism

The reportable condition is described in the accompanying schedule of findings and questioned costs as Item 03-1.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control 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, we believe the reportable condition described above is not a material weakness.

This report is intended for the information of the Board of Directors, management, the Louisiana Legislative Auditor, and pass-through entities. However, this report is a matter of public record and its distribution is not limited.



October 31, 2003

Bayou Council on Alcoholism

Management's Corrective Action Plan for Current Year Findings Year Ended June 30, 2003

The contact person for all corrective actions noted below is Ms. Jackie Myers, Executive Director.

SECTION I – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS

Inadequate Internal Control

Condition: A reportable condition in the internal control related to the lack of segregation of duties.

Recommendation: The Board of Directors of the Organization should closely monitor the day-to-day activities of the Organization and implement other control procedures until the agency has grown to the point of where it is cost beneficial to employ an adequate system of internal controls.

Planned Action: The Board of Directors will closely monitor the day-to-day activities of the Organization until it is financially feasible to employ additional staff.

SECTION II – INTERNAL CONTROL AND COMPLIANCE MATERIAL TO FEDERAL AWARDS

This section is not applicable.

SECTION III – MANAGEMENT LETTER

Payroll Tax Noncompliance

Condition: A bonus paid to the executive director by the Organization did not have applicable required federal and state payroll taxes withheld and remitted.

Recommendation: All employee compensation should be paid in the form of a payroll check with the proper employment taxes withheld.

Planned Action: The Organization will implement the recommendation detailed above.

Bayou Council on Alcoholism

Management Letter

Year Ended June 30, 2003

October 31, 2003

To the Board of Directors
Bayou Council on Alcoholism
Thibodaux, Louisiana

We have audited the financial statements of Bayou Council on Alcoholism as of and for the year ended June 30, 2003, and have issued our report thereon dated October 31, 2003. 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.

As a part of our examination, we have issued our report on the financial statements, dated October 31, 2003, and our report on internal control and compliance with laws, regulations, and contracts, dated October 31, 2003.

During the course of our examination, we became aware of the following matter which represents an immaterial instance of noncompliance with federal payroll tax regulations.

ITEM FOR MANAGEMENT'S CONSIDERATION

Payroll Tax Noncompliance

During the examination, it was noted that a bonus was paid to the executive director; however, no federal or state payroll taxes were deducted. Due to the tax implications that can occur from not withholding taxes on employee compensation, we recommend that all employee compensation be paid in the form of a payroll check with all proper employment taxes withheld.

We will review the status of this comment during our next audit engagement. We will be pleased to discuss it in further detail at your convenience or to assist you in implementing the recommendation.

Sincerely,


Martin and Pellegrin, CPAs (PC)