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08-09-00

**EXCELth, INC.**

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**FINANCIAL AND COMPLIANCE AUDIT**

**TOGETHER WITH**

**INDEPENDENT AUDITORS' REPORT**

**FOR THE YEAR ENDED DECEMBER 31, 1999**

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 08-09-00

**Bruno  
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT .....	1
STATEMENT OF FINANCIAL POSITION-DECEMBER 31, 1999 .....	3
STATEMENT OF ACTIVITIES FOR THE YEAR ENDED DECEMBER 31, 1999 .....	4
STATEMENT OF CASHFLOWS FOR THE YEAR ENDED DECEMBER 31, 1999 .....	5
STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED DECEMBER 31, 1999 .....	6
NOTES TO THE FINANCIAL STATEMENTS .....	7
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS .....	13
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS.....	14
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS .....	15
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 .....	18
SCHEDULES OF FINDINGS AND QUESTIONED COSTS Schedule I - Summary of the Independent Auditors' Results.....	21
Schedule II - Financial Statement Findings for the Year Ended December 31, 1998.....	22
Schedule III - Federal Award Findings and Questioned Cost for the Year ended December 31, 1998.....	25
EXIT CONFERENCE .....	27

**INDEPENDENT AUDITORS' REPORT**

Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

We have audited the statement of financial position of **EXCELth, Inc.** (a non-profit organization) as of December 31, 1999 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the management of Excelth, Inc. Our responsibility is to express our opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to 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 the 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 **EXCELth, Inc.** as of December 31, 1999 and the changes in its net assets and its cash flows for the year then ended, in conformity with generally accepted accounting principles.

**INDEPENDENT AUDITORS' REPORT**  
**(CONTINUED)**

Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana  
Page -2-

In accordance with *Government Auditing Standards*, we have also issued our report dated June 30, 2000, on our consideration of **EXCELth, Inc.** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the basic financial statements of **EXCELth, 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. The information in the schedule 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.

*Bruno & Tervalon*  
**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2000

**EXCELth, Inc.**  
**STATEMENT OF FINANCIAL POSITION**  
**AS OF DECEMBER 31, 1999**

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ASSETS

Cash (NOTE 2)	\$ 68,291
Grants receivable (NOTE 5)	305,422
Accounts receivable	78,221
Property, plant, and equipment, net of accumulated depreciation \$498,496(NOTES 2 and 6)	262,395
Inventory (NOTE 2)	117,021
Deposits	<u>4,635</u>
 Total assets	 <u>\$835,985</u>

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable	\$370,502
Accrued payroll and related taxes	<u>63,744</u>
 Total liabilities	 <u>434,246</u>
 Commitments and Contingencies (NOTE 7)	
Net Assets (NOTE 2):	
Unrestricted	<u>401,739</u>
 Total net assets	 <u>401,739</u>
 Total liabilities and net assets	 <u>\$835,985</u>

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

**EXCELth, Inc.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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	<u>UNRESTRICTED</u>
Support and Revenues:	
Grants	\$2,587,860
Patient services	872,561
Interest	607
Other	<u>8,200</u>
Total support and revenues	<u>3,469,228</u>
Expenses:	
Primary healthcare	2,374,261
HIV prevention and care	325,157
Substance abuse	530,496
Social services	<u>46,826</u>
Total expenses	<u>3,276,740</u>
Increase in net assets	192,488
Net Assets:	
Beginning of year	<u>209,251</u>
End of year	<u>\$ 401,739</u>

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

**EXCELth, Inc.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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Cash Flows from Operating Activities:

Change in net assets	\$192,488
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	48,841
Bad debts	16,140
Loss on transfer of vehicle	11,775
Increase/Decrease in:	
Increase in grants receivable	(88,741)
Increase in accounts receivable	(55,797)
Increase in inventory	(46,957)
Decrease in prepaid insurance	108
Decrease in accounts payable	(3,905)
Decrease in accrued payroll and related taxes	<u>(54,213)</u>
Net cash provided by operating activities	<u>19,739</u>
 <u>Cash Flows from Investing Activities</u>	
Purchase of equipment	<u>(16,480)</u>
Net cash used for investing activities	<u>(16,480)</u>
Net increase in cash	3,259
Cash, Beginning of year	<u>65,032</u>
Cash, End of year	<u><u>\$ 68,291</u></u>

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

**EXCELth, INC.**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

	<u>Primary Healthcare</u>	<u>Prevention and Care</u>	<u>Substance Abuse</u>	<u>Social Services</u>	<u>Total</u>
Personal services	\$ 800,578	\$ 74,963	\$312,446	\$ 38,228	\$1,226,215
Fringe benefits	209,332	17,801	35,162	5,988	268,283
Travel	63,136	2,609	7,088	1,645	74,478
Supplies	34,849	340	10,317	636	46,142
Professional fees	566,642	1,305	22,649	-0-	590,596
Other	110,905	138	29,765	329	141,137
Bad debts	16,140	-0-	-0-	-0-	16,140
Insurance	16,422	-0-	5,629	-0-	22,051
Rent	42,833	10,243	71,065	-0-	124,141
Utilities	-0-	-0-	21,040	-0-	21,040
Repair and maintenance	36,168	-0-	3,814	-0-	39,982
Telephone	59,308	786	9,625	-0-	69,719
Pharmaceutical supplies	350,466	216,972	-0-	-0-	567,438
Depreciation	48,841	-0-	-0-	-0-	48,841
Public relations	6,866	-0-	1,896	-0-	8,762
Loss on vehicle disposal	<u>11,775</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>11,775</u>
	<u>\$2,374,261</u>	<u>\$325,157</u>	<u>\$530,496</u>	<u>\$46,826</u>	<u>\$3,276,740</u>

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

**EXCELth, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS

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NOTE 1 - Organization:

**EXCELth, Inc.**, was organized to bring together a variety of resources and services which are directed towards building local capacity to provide basic primary care services for the community. Through the administration of city, state, federal and private resources, **EXCELth, Inc.** is responsible for providing direction, leadership and resource development. These resources are utilized to ensure that primary care services such as prenatal care, pediatric, adolescent, adult and geriatric care, case management, HIV prevention, transportation, laboratory, X-ray, pharmacy and dental care are available and accessible through the network of health providers.

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

**EXCELth, Inc.** is a non-profit community based organization whose financial statements are prepared on the accrual basis. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Basis of Reporting

**EXCELth, Inc.** has adopted the provisions of Statement of Financial Accounting Standards NO. 117, "Financial Statements of Not-for-Profit Organizations," which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories according to external (donor) imposed restrictions.

**EXCELth, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Basis of Reporting, Continued

A description of the three net asset categories is as follows:

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the missions of **EXCELth, Inc.** are included in this category.

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor imposed restrictions (capital improvements, etc.) have not been met.

Permanently restricted net assets are contributions which are required by the donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor imposed restrictions.

At December 31, 1999, **EXCELth, Inc.** did not have any temporarily or permanently restricted net assets.

Property, Plant, and Equipment

Property, plant, and equipment is recorded at historical cost if purchased, or at fair market value at the date of the gift, if donated. Additions, improvements and expenditures that significantly extend the useful life of an asset are capitalized. Depreciation is provided using the straight-line method over the estimated useful lives of the assets which is 3, 5, and 20 years.

**EXCELth, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 2 - Summary of Significant Accounting Policies, Continued:

Basis of Reporting, Continued

Support and Revenues

Revenues received under governmental grant programs are recognized when earned.

Contributions are considered to be available for unrestricted use unless specifically restricted by the donor or the board of directors.

Cash Equivalents

For purposes of the statements of cash flows, **EXCELth, Inc.** considers all short-term, highly liquid investments with a maturity of three months or less at the time of purchase to be cash equivalents.

Functional Allocation of Expenses

The costs of providing the various programs and 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 benefitted.

Allowance for Losses

Allowances for estimated losses on receivables are provided when, in the opinion of management, such losses are expected to be incurred. Management evaluates the carrying value of these assets at least annually and the allowances are adjusted accordingly.

Inventory

Inventory is stated at the lower of cost determined by the first in-first out method or market.

**EXCELth, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 3 - Economic Dependency:

The primary source of revenue for **EXCELth, Inc.** is federal, state and local grants provided through various funding agencies. The continued success of **EXCELth, Inc.** is dependent upon the renewal of contracts from current funding sources as well as obtaining new funding.

NOTE 4 - Income Taxes:

**EXCELth, Inc.** is exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

NOTE 5 - Grants Receivable:

Grants receivable consists of the following as of December 31, 1999:

City of New Orleans:

Ryan White	\$ 81,832
Infinity	160,938
New Orleans Health Department	107,000
Homeless Program - Pharmacy	<u>41,704</u>

391,474

State of Louisiana:

IDA Hymel	<u>6,948</u>
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Sub-Total 398,422

Allowance for doubtful accounts (93,000)

Total \$305,422

**EXCELth, Inc.**  
**NOTES TO THE FINANCIAL STATEMENTS, CONTINUED**

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NOTE 6 - Property, Plant, and Equipment:

	Balance at <u>01/01/99</u>	Additions <u>(Reductions)</u>	Balance at <u>12/31/99</u>
Land	\$ 100,000	\$ -0-	\$ 100,000
Building	121,306	-0-	121,306
Furniture, fixtures and equipment	456,341	16,480	472,821
Vehicles	90,581	(23,817)	66,764
Accumulated depreciation	<u>(461,695)</u>	<u>(36,801)</u>	<u>(498,496)</u>
Net property, plant, and equipment	\$ <u>306,533</u>	\$ <u>(44,138)</u>	\$ <u>262,395</u>

Depreciation expense for the year ended December 31, 1999 totaled \$48,841.

NOTE 7 - Commitments and Contingencies:

Participation in Grant Programs:

**EXCELth, Inc.** is a recipient of grant funds from certain funding sources. These grants are governed by various federal, state and local guidelines, regulations, and contractual agreements.

The administration of the program and activities funded by the grants are under the control and administration of **EXCELth, Inc.** and are subject to audit and/or review by the applicable funding source. Any grant funds found not to be properly spent in accordance with the terms, conditions, and regulations of the funding source may be subject to recapture.

**EXCELth, Inc.**  
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

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NOTE 7 - Commitments and Contingencies, (Continued):

**EXCELth, Inc.** leases office space under operating lease expiring October 31, 2002. Minimum future rental payments under these operating lease having remaining terms in excess of one year as of December 31, 1999 and for the subsequent years are as follows:

<u>Year Ended December 31,</u>	
2000	\$ 55,625
2001	\$ 55,625
2002	\$ <u>46,354</u>
Total	\$ <u>157,604</u>

Rental expense for the year ended December 31, 1999 under these leases was \$124,141.

**EXCELth, Inc.**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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<u>GRANTOR</u>	<u>CFDA NUMBER</u>	<u>GRANT NUMBER</u>	<u>ACTIVITY</u>
U.S. Department of Health and Human Services			
<u>Direct Awards</u>			
Community/Migrant Health Centers	93.224	CSH601073-07	\$1,449,104
Community/Migrant Health centers	93.224	CSH27CS02055-08	298,000
Junior National Health Service Corp./HCOP	N/A	3-CSDJ00004A	15,867
Passed Through City <u>of New Orleans</u>			
Grants for Residential Treatment Program	93.101	98-HLTH-042	203,022
Health Center Grants for Homeless Population	93.151	99-HLTH-046	101,718
HIV Emergency Relief Project/ Formula Grants	93.914 / 93.915	98-MYR-054	<u>319,887</u>
Total Expenditures of Federal Awards			<u>\$2,387,598</u>

See the Independent Accountants' Report.

**EXCELth, Inc.**  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 1999

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NOTE 1 – Basis of Accounting:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **EXCELth, Inc.** and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profits Organization*. Therefore, some amounts presented in this schedule may differ from amounts presented, or used in the preparation of, the basic financial statements.

NOTE 2 – Subrecipients:

Of the federal expenditures presented in the Schedule, **EXCELTH, Inc.** provided \$160,000 of awards to subrecipients under the Community Health Centers Grant (CFDA #93.224).

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

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Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

We have audited the financial statements of **EXCELth, Inc.** as of and for the year ended December 31, 1999 and have issued our report thereon dated June 30, 2000. We conducted our audit in accordance with generally accepted auditing standards and 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 **EXCELth, Inc.**'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*.

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

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(CONTINUED)

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered **EXCELth, Inc.**'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 certain matters involving the internal control over financial reporting and its operations 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 **EXCELth, Inc.**'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 99-01 and 99-02.

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, of the reportable conditions described above we consider audit findings 99-01 and 99-02 to be material weaknesses.

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

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(CONTINUED)

This report is intended for the information and use of the audit committee, management 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.

*Bruno & Tervalon*  
BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2000

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133

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Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

**Compliance**

We have audited the compliance of **EXCELth, 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 its major federal programs for the year ended December 31, 1999. **EXCELth, Inc.**'s major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal programs is the responsibility of **EXCELth, Inc.**'s management. Our responsibility is to express an opinion on **EXCELth, Inc.** compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 **EXCELth, 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.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

Our audit does not provide a legal determination on **EXCELth Inc.**'s compliance with those requirements.

In our opinion, **EXCELth, Inc.** complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 1999. However, the results of our auditing procedures disclosed instances of non-compliance with those requirements which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 99-03 and 99-04.

**Internal Control Over Compliance**

The management of **EXCELth, Inc.** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **EXCELth, 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 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 conditions. 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 **EXCELth, Inc.**'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable conditions are described in the accompanying schedule of findings and questioned costs as item 99-03 and 99-04.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133  
(CONTINUED)

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 noncompliance with applicable requirements of laws, regulations, contracts and grants 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 that are also considered to be material weaknesses. However, we believe the reportable conditions are material weaknesses.

This report is intended solely for the information and use of the Board of Directors, management 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.

*Bruno & Tervalon*  
**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2000

**EXCELth, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
SUMMARY OF THE INDEPENDENT AUDITORS' RESULTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

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1. Type of report issued on the financial statements. Unqualified opinion
2. Did the audit disclose any reportable conditions in internal control. Yes
3. Were any of the reportable conditions material weaknesses. Yes
4. Did the audit disclose any noncompliance which is material to the financial statements of the organization. No
5. Did the audit disclose any reportable conditions in internal control over major programs. Yes
6. Were any of the reportable conditions in internal control over major programs material weaknesses. Yes
7. Type of report issued on compliance for major programs. Unqualified
8. Did the audit disclose any audit findings which the independent auditors are required to report under OMB Circular A-133, Section 510(a). Yes
9. The following is an identification of major programs:

<u>CFDA or Contract Number</u>	<u>Name of Federal Program</u>
93.224	Community Health Center
93.914/93.925	HIV Emergency Relief Project./Formula Grants
10. The dollar threshold used to distinguish between Type A and Type B Programs, as described in OMB Circular A-133, Section 520(b) was \$300,000.
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530. No

**SCHEDULE II**  
**FINANCIAL STATEMENT FINDINGS**

**EXCELth, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FINANCIAL STATEMENT FINDINGS**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Audit Finding Reference Number

99-01 - General Ledger and Timely Submission of Audit

Criteria

OMB Circular A-110 specifies that financial management systems must be maintained in accordance with certain standards.

LA. Rev. Statute 24:513 specifies that the audit must be completed within six (6) months of the close of the reporting period.

Conditions and Perspective

We noted during our audit that management of **EXCELth, Inc.** did not adhere to established accounting procedures and ensure that certain general ledger accounts (i.e. receivables, due to/due from other funds, control accounts) were reconciled on a monthly basis. Also, the failure to reconcile such accounts timely resulted in the management of **EXCELth, Inc.** being unable to submit audited financial statements by the established due date.

Recommendation

We recommend that management of **EXCELth, Inc.** adhere to established procedures and ensure that accounting record are reconciled on a timely basis and audited financial statements are issued to the Legislative Auditor's office by the prescribed deadline.

**EXCELth, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FINANCIAL STATEMENT FINDINGS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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**INTERNAL CONTROL OVER FINANCIAL REPORTING**

Audit Finding Reference Number

99-02 - Pharmacy Operations

Criteria

OMB Circular A-110 specifies that financial management systems must be maintained in accordance with certain standards.

Conditions and Perspective

We noted the following conditions with regard to the pharmacy operations during our audit:

- Pharmacy revenues were recorded based upon prescription orders;
- Pharmacy cash collections were not reconciled to the pharmacy cash register control tapes;
- Medicaid receipts were not distinguishable between other receipts recorded in the pharmacy reports;
- Pharmacy revenues were not deposited on a timely basis;
- Perpetual inventory records were not maintained for pharmaceutical supplies;
- Physical inventory procedures were not documented;
- Numerous errors were noted in the physical inventory counts; and
- Large quantities of obsolete pharmacy inventory on hand.

**EXCELth, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FINANCIAL STATEMENT FINDINGS, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1999

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Recommendation

We recommend that management of **EXCELth, Inc.** take immediate steps to correct the noted deficiencies.

**SCHEDULE III**

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**EXCELth, INC.**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FEDERAL AWARD FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 1999

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**INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE**

Audit Finding Reference Number

99-03 - Financial Reporting

Federal Program and Specific Federal Award Identification

CFDA Title and Number

93:101 - Grants for Residential Treatment Programs

Federal Award year

December 31, 1999

Federal Agencies

U.S. Department of Health and Human Services

Pass-Through Entity

City of New Orleans

Criteria

OMB Circular A-133 Compliance Supplement Part 3, Section I. stipulates that reports for federal awards shall include all activity of the reporting period, be supported by applicable accounting records, and be fairly presented in accordance with program requirements.

**EXCELth, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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**INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE**  
**(CONTINUED)**

**Audit Finding Reference Number, Continued**

99-03 - Financial Reporting, Continued

**Conditions and Perspective**

We noted during our audit that management of **EXCELth, Inc.** requested reimbursement of the same expenditures which totaled \$82,095 from two separate agencies during the year ended December 31, 1999. One of the funding agencies provided non-federal funding. Also, we did note that management corrected the erroneous billing by subsequently adjusting the related cost reports.

**Cause**

This condition was caused by management not maintaining separate general ledger sub-accounts for each expenditure type.

**Questioned Costs**

For purposes of this finding, we have not questioned any costs.

**Effect**

Certain grant financial reports contained in-accurate financial information.

**Recommendation**

We recommend that management of **EXCELth, Inc.** take immediate steps to ensure that this condition does not re-occur.

**EXCELth, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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**INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE**

**Audit Finding Reference Number**

99-04 - Allowable Costs

**Federal Program and Specific Federal Award Identification**

**CFDA Title and Number**

93.224 - Community Health Center

**Federal Award year**

December 31, 1999

**Federal Agencies**

U.S. Department of Health and Human Services

**Pass-Through Entity**

NONE

**Criteria**

OMB Circular A-133 Compliance Supplement Part 3, Section B stipulates that grant costs must be reasonable and necessary and allocable to the federal awards under the provisions of the applicable OMB's cost circular.

**EXCELth, INC.**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS, CONTINUED**  
**FOR THE YEAR ENDED DECEMBER 31, 1999**

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**INTERNAL CONTROL OVER COMPLIANCE AND COMPLIANCE**  
**(CONTINUED)**

**Audit Finding Reference Number, Continued**

99-04 - Allowable Costs

**Conditions and Perspective**

We noted during our audit that management of **EXCELth, Inc.** had advanced an attorney a lump sum retainer payment towards legal service. However, management discontinued utilizing the attorney and has been unable to collect the balance of the retainer which totaled \$16,140 at December 31, 1999.

**Cause**

Management had initially intended to utilize the services of a particular attorney and as a result paid a retainer fee in advance.

**Questioned Costs**

For purpose of this finding, we have questioned the amount of the balance of the retainer which totaled \$16,140.

**Effect**

The failure of the management of **EXCELth, Inc.** to collect the retainer balance results in unallowable costs.

**Recommendation**

We recommend that management of **EXCELth, Inc.** take immediate steps to discuss this matter with the funding source.

**EXCELth, Inc.**

**EXIT CONFERENCE**

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The audit report was discussed at an exit conference with the following individuals:

**EXCELth, INC.**

Mr. Michael Andry	--	Executive Director
Mr. Byron Tregre	--	Director of Finance
Mr. Gregory Rattler, Sr.	--	Board of Directors - Treasurer

**BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	--	Managing Partner
Mr. Edward J. Phillips	--	Senior Manager
Mr. Sean M. Bruno, CPA	--	Supervisor

*Bruno & Tervalon*  
**BRUNO & TERVALON**  
**CERTIFIED PUBLIC ACCOUNTANTS**

June 30, 2000

RECEIVED  
LEGISLATIVE COUNCIL  
00 AUG -4 11:10:48**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT**

Board of Directors  
**EXCELth, Inc.**  
New Orleans, Louisiana

In planning and performing our audit of the financial statements of **EXCELth, Inc.** for the year ended December 31, 1999, we considered **EXCELth, Inc.**'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal control, and improving operating efficiency. The memorandum that accompanies this letter summarizes our comments and recommendations regarding the matter. This letter does not affect our report dated June 30, 2000 on the financial statements of **EXCELth, Inc.**

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with management, and we will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of the matters or to assist you in implementing the recommendations.

**EXCELth, Inc.**  
INDEPENDENT COMMENTS TO MANAGEMENT  
FOR THE YEAR ENDED DECEMBER 31, 1999

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1. **Equipment Reconciliation**

We noted during our audit that the equipment sub-ledger cost total was not reconciled to the amount recorded in the general ledger. Also, the equipment items noted during the physical inventory were not related to the equipment sub-ledger.

We recommend that management of **EXCELth, Inc.** take the necessary steps to correct the noted conditions.

2. **Monitoring of Sub-Recipients**

We noted that the established monitoring procedures could be strengthened by reconciling cost reported to **EXCELth, Inc.** to the related sub-recipient general ledger and by performing payroll distribution reviews of grant payroll expenditures.

We recommend that management of **EXCELth, Inc.** consider incorporating the noted procedures into the overall sub-recipient monitoring process.

3. **Segregation of Duties**

We noted during our audit of cash that balances per the bank reconciliation did not initially agree to the general ledger. We also noted that several bank reconciliations contained checks that have been outstanding for longer than a year, as well as being recorded as outstanding but were actually voided.

We recommend that management implement procedures requiring the assistant to the Director of Finance to prepare all bank reconciliations, date and sign off when complete, and have all bank reconciliations reviewed, dated and signed off by the Director of Finance on a timely basis.

**EXCELth, Inc.**  
INDEPENDENT COMMENTS TO MANAGEMENT, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1999

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3. **Segregation of Duties, Continued**

Also, we recommend that management take immediate steps to review the bank reconciliations and investigate all checks recorded as outstanding and make a determination as to the actual status of the checks.

4. **Salaries and Wages**

We noted during our audit that cumulative wages per the four quarterly 941s did not reconcile to wages per the general ledger.

We also noted that management could not locate four (4) of twenty (20) time sheets selected for testing and one (1) of ten (10) personnel action forms. Additionally, we noted that employee time-sheets did not allow for employees to allocate their time by program for those employees whose salary is allocated across programs.

We recommend that wages per the federal quarterly reports be reconciled to wages per the general ledger prior to submission. We also recommend that management adhere to established procedures with regard to the proper maintenance of payroll records.

5. **Cash Disbursements**

We noted during the test of cash disbursements the following conditions:

- Expenses charged on the organization's credit card were being coded to the wrong general ledger account (i.e. travel expenses being charged to supplies);

**EXCELth, Inc.**  
INDEPENDENT COMMENTS TO MANAGEMENT, CONTINUED  
FOR THE YEAR ENDED DECEMBER 31, 1999

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5. Cash Disbursements, Continued

- Management does not follow the practice of stamping invoices paid, when payment is being made to the vendor; and
- Two (2) out of eleven (11) travel transactions selected for testing did not have travel reimbursement reports attached to supporting documentation.

We recommend that management adhere to its established procedures and ensure that transactions are being properly coded to the appropriate general ledger account (i.e. stamping appropriate account classification on the invoice), stamp all invoices paid in order to decrease the possibility of an invoice being paid twice, and that management require all employees to complete travel reports detailing the reason for travel, location, attendees, and detail of all expenses including receipts for all travel expenses. For mileage reimbursement, the traveler should include number of miles driven, location, and purpose of trip.

*Bruno & Tervalon*  
BRUNO & TERVALON  
CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2000

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - MANAGEMENT COMMENTS  
DECEMBER 31, 1999

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RECEIVED  
SUPERVISOR  
03/18/00 4 11:10:48

1. COMMENT

Equipment Reconciliations

The Independent Auditors noted that the equipment sub-ledger cost total was not reconciled to the amount recorded in the general ledger. Also, the equipment items noted during the physical inventory were not related to the equipment sub-ledger.

Proposed Corrective Action

The management of EXCELth, Inc. will adhere to established inventory procedures.

Anticipated Completion Date

December 31, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - MANAGEMENT COMMENTS, CONTINUED  
DECEMBER 31, 1999

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2. **COMMENT**

Monitoring of Sub-Recipients

The Independent Auditors noted that the established monitoring procedures could be strengthened by reconciling cost reported to **EXCELth, Inc.** to the related sub-recipient general ledger and by performing payroll distribution reviews of grant payroll expenditures.

Proposed Corrective Action

The management of **EXCELth, Inc.** will consider incorporating the noted recommendation into its present procedures.

Anticipated Completion Date

August 30, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - MANAGEMENT COMMENTS, CONTINUED  
DECEMBER 31, 1999

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3. **COMMENT**

Segregation of Duties

The Independent Auditors noted that balances per the bank reconciliation did not initially agree to the general ledger. The Independent Auditors also noted that several bank reconciliations contained checks that have been outstanding for longer than a year, as well as being recorded as outstanding but were actually voided.

Proposed Corrective Action

The management of **EXCELth, Inc.** will establish procedures to ensure that the noted conditions are corrected.

Anticipated Completion Date

September 30, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - MANAGEMENT COMMENTS, CONTINUED  
DECEMBER 31, 1999

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4. COMMENT

Salaries and Wages

We noted during our audit that cumulative wages per the four quarterly 941s did not reconcile to wages per the general ledger, certain personnel records could not be located, and timesheets did not provide for allocation of employee time by programs.

Proposed Corrective Action

The management of **EXCELth, Inc.** will adhere to established procedures.

Anticipated Completion Date

August 30, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - MANAGEMENT COMMENTS, CONTINUED  
DECEMBER 31, 1999

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5. **COMMENT**

Cash Disbursements

The Independent Auditors noted that certain disbursements were not processed in accordance with established procedures.

Proposed Corrective Action

The management of **EXCELth, Inc.** will adhere to established procedures when processing cash disbursements.

Anticipated Completion Date

August 30, 2000

Contact Person

Mr. Byron Tregre

Federal Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
**CORRECTIVE ACTION PLAN - AUDIT FINDINGS**  
**DECEMBER 31, 1999**

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1. **AUDIT FINDING**

99-01 - General Ledger and Timely Submission of Audit

The Independent Auditors noted that management of **EXCELth, Inc.** did not adhere to established accounting procedures and ensure that certain general ledger accounts (i.e. receivables, due to/due from other funds, control accounts) were reconciled on a timely basis. Also, the failure to reconcile such accounts timely resulted in the management of **EXCELth, Inc.** being unable to submit audited financial statements by the established due date.

Proposed Corrective Action

The management of **EXCELth, Inc.** will adhere to established procedures and ensure that accounting records are reconciled on a timely basis and audited financial statements are issued to the Legislative Auditor's office by the prescribed deadline.

Anticipated Completion Date

December 31, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - AUDIT FINDINGS, CONTINUED  
DECEMBER 31, 1999

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2. **AUDIT FINDING**

99-02 - Pharmacy Operations

The Independent Auditors noted certain conditions with regard to the pharmacy operations during the December 31, 1999 audit.

Proposed Corrective action

The management of **EXCELth, Inc.** will establish certain procedures to correct the noted conditions.

Anticipated Completion Date

December 31, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - AUDIT FINDINGS, CONTINUED  
DECEMBER 31, 1999

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3. **AUDIT FINDING**

99-03 - Financial Reporting

The Independent Auditors noted that management of **EXCELth, Inc.** requested reimbursement of the same expenditures which totaled \$82,095 from two separate agencies during the year ended December 31, 1999. One of the funding agencies provided non-federal funding. Also, the independent auditors noted that management corrected the erroneous billing by subsequently adjusting the related cost reports.

Proposed Corrective Action

The management of **EXCELth, Inc.** will adhere to established procedures and ensure grant costs are properly segregated and billed.

Anticipated Completion Date

August 30, 2000

Contact Person

Mr. Byron Tregre

Federal/Pass-Through Agency Contacted

No

**EXCELth, Inc.**  
CORRECTIVE ACTION PLAN - AUDIT FINDINGS, CONTINUED  
DECEMBER 31, 1999

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4. **AUDIT FINDING**

99-04 Allowable Costs

The Independent Auditors noted that management of **EXCELth, Inc.** had advanced an attorney a lump sum retainer payment towards legal service. However, management discontinued utilizing the attorney and has been unable to collect the balance of the retainer which totaled \$16,140 at December 31, 1999.

Proposed Corrective Action

The management of **EXCELth, Inc.** does not concur with this finding. The funds in questioned that were utilized to pay the retainer costs were not federal funds.

Anticipated Completion Date

Not applicable

Contact Person

Mr. Michael Andry

Federal/Pass-Through Agency Contacted

No