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Financial Report

Gulf Coast Teaching Family Services, Inc.

June 30, 1997

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Release Date: FEB 18 1998

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June 30, 1997

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Ernst & Young

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the accompanying statement of financial position of Gulf Coast Teaching Family Services, Inc., a nonprofit corporation, as of June 30, 1997, and the related statements of activities, changes in net assets, and cash flows for the year then ended. These financial statements are the responsibility of Gulf Coast Teaching Family Services, Inc.'s management. Our responsibility is to express an 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 financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. These 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 statements 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 Gulf Coast Teaching Family Services, Inc. as of June 30, 1997, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also based our report dated December 19, 1997 on our consideration of Gulf Coast Teaching Family Services, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was performed for the purpose of forming an opinion on the basic financial statements of Gulf Coast Teaching Family Services, Inc. taken as a whole. The accompanying supplemental financial information listed in the table of contents including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, Analysis of States, Local Governments, and Non-Profit Organizations, are presented for purposes of additional analysis and are 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 and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Bouvier Bennett, LLC.

Certified Public Accountants.

New Orleans, La.,
December 15, 1997.

STATEMENT OF FINANCIAL POSITION

Gulf Coast Teaching Family Services, Inc.

June 30, 1997

ASSETS

Current Assets

Cash and cash equivalents		\$ 190,057
Investment securities		97,680
Receivables:		
Program	\$1,728,427	
Other	18,287	1,746,714
Prepaid expenses		192,785
Total current assets		2,140,096

Property and Equipment - at Cost

Land	85,080	
Building and improvements	113,034	
Construction in progress	119,477	
Leasehold improvements	26,132	
Furniture and equipment	349,736	
Transportation equipment	169,575	
Leased equipment under capital lease	32,733	
	\$17,735	487,917
Less accumulated depreciation and amortization	319,788	

Deposits

Total assets		\$2,645,026
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LIABILITIES AND NET ASSETS

Current Liabilities

Current portion of notes payable	\$ 27,488
Current portion of obligations under capital leases	2,177
Current portion of mortgage notes payable	25,783
Accounts payable and accrued liabilities	762,558
Total current liabilities	\$1,018,006

Long-Term Liabilities, less current portion

Notes payable	6,179
Obligations under capital leases	5,811
Mortgage notes payable	318,766
Total liabilities	1,049,712

Commitments and Contingencies (Notes I and O)

Unrestricted Net Assets

Total liabilities and net assets	\$2,645,026
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See notes to financial statements.

STATEMENT OF ACTIVITIES

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1997

Revenue	
Programs	\$ 14,066,343
Other	86,843
Recovery of prior year revenue previously written-off	59,239
Total revenue	14,212,386
Expenses	
Administrative and general	2,973,633
Plant operation and maintenance	143,048
Cost related to capital assets	383,435
Dietary	63,957
Laundry and linen	762
Housekeeping	9,366
Personal client needs	109,247
Medical and nursing	28,967
Therapeutic and training	9,823,657
Recreational	37,103
Consultants	109,263
Total expenses	13,686,438
Increase in Unrestricted Net Assets	\$ 525,948

See notes to financial statements.

STATEMENT OF CHANGES IN NET ASSETS

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1977

Unrestricted net assets, beginning of year	\$1,067,356
Increase in unrestricted net assets	525,958
Unrestricted net assets, end of year	\$1,593,314

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS**Gulf Coast Teaching Family Services, Inc.**

June 30, 1997

Note A - ORGANIZATION

Gulf Coast Teaching Family Services, Inc. is a nonprofit corporation organized exclusively for charitable, religious, educational and scientific purposes. The Organization maintains group homes, child and family centers and other related programs for the youth and their families and provides a program which will give the young people and their families an opportunity to become normalized, independent, productive and respected citizens of the community. These services are provided in the South Louisiana area.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies used in the preparation of the accompanying financial statements follows:

1. Basis of Accounting and Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting in accordance with generally accepted accounting principles.

The Organization follows the financial statement presentation recommended by 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) based upon the existence or absence of donor-imposed restrictions.

The Organization also follows the recommendations included in SFAS No. 116, Accounting for Contributions Received and Contributions Made. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions. As of June 30, 1997, the Organization has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

1. Basis of Accounting and Financial Statement Presentation (Continued)

The accounts of the Organization are maintained in accordance with the principles of fund accounting. Under fund accounting, resources for various purposes are classified for accounting and reporting purposes into funds established according to their nature and purpose. Separate accounts are maintained for each fund; however, in the accompanying financial statements, all funds have been combined.

2. Use of 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.

3. Income Taxes

The Organization is a nonprofit organization and exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers cash on hand and demand deposits to be cash equivalents.

5. Receivables

The Organization considers accounts receivable to be fully collectible since the balance consists principally of payments due under governmental contracts. If amounts become uncollectible, they will be charged to operations when that determination is made.

Note B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Depreciation and Amortization

Property and equipment are recorded at historical cost. Depreciation and amortization are provided for in amounts sufficient to reduce the cost of depreciable assets to operations over their estimated service lives. Leasehold improvements are amortized over the lives of the respective leases or the service lives of the improvements, whichever is shorter. Leased property under capital leases is amortized over the lives of the respective leases or over the service lives of the assets for those leases which substantially transfer ownership. The straight-line method of depreciation is followed for substantially all assets. Depreciation and amortization expenses totaled \$67,694 for the year ended June 30, 1997.

7. Capital Leases

For financial reporting, the Organization has capitalized certain leased equipment. The statement of financial position reflects all capitalized lease equipment as assets and obligations under capital lease. The capital lease obligations are recorded at the present value of the future minimum lease payments discounted at the interest rate implicit in each lease.

8. Employee Vacation Benefits

Employee vacation benefits are accrued and expensed in the period earned by the employee.

9. Program Revenues

Program revenues earned under reimbursement type contracts are recorded as revenues in the appropriate program when the related expenses are incurred.

Program revenues earned on fee-for-service and per-diem contracts are recorded as revenues when services are provided.

10. Allocated Costs

The Organization allocated administrative costs of the central and regional offices in the amount of \$2,634,406 to the various programs it administered during the year ended June 30, 1997.

Note C - INVESTMENT SECURITIES

Investment securities at June 30, 1997 consist of the following:

Mutual Fund - U.S. Government Obligations Fund	<u>\$27,600</u>
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Cost equals fair market value at June 30, 1997.

Note D - PROGRAM RECEIVABLES

Program receivables consist of reimbursements for expenses incurred or revenue earned on fee for service and per-diem contracts. Program receivables consist of the following as of June 30, 1997:

State of Louisiana:	
Department of Public Safety and Corrections	\$ 359,766
Office of Mental Health	128,304
Office of Community Services	327,936
Office of Citizens with Developmental Disabilities	923,126
Louisiana Rehabilitation Services	47,017
Other:	
Private	<u>18,238</u>
Total	<u>\$1,784,427</u>

Note E - NOTES PAYABLE

Notes payable consists of the following at June 30, 1997:

Note payable - short term; 8.05% annual interest; payable in monthly installments of \$4,528 including interest; final payment due November 1997.	\$22,192
Equipment obligation; 13.5% annual interest; payable in monthly installments of \$549 including interest; final payment due June 1999.	<u>11,443</u>
Total	<u>\$33,635</u>

Note E - NOTES PAYABLE (Continued)

The equipment obligation is secured by equipment costing \$26,535. Interest expense on notes payable was \$3,268 for the year ended June 30, 1997.

The maturities of the notes payable are as follows:

Year Ending <u>June 30,</u>	
1998	\$27,498
1999	<u>6,159</u>
Total	<u>\$33,657</u>

Note F - OBLIGATIONS UNDER CAPITAL LEASES

The obligations under capital leases as of June 30, 1997 consists of the following:

Office equipment capitalized lease obligation, discounted at a rate of 13.35%, due in monthly installments of \$259 to June 2001.	\$10,865
Office equipment capitalized lease obligation, discounted at a rate of 15%, due in monthly installments of \$223 to August 1997.	<u>123</u>
	10,988
Less current maturities	<u>3,177</u>
Total	<u>\$ 8,811</u>

Interest expense on capitalized lease obligations for the year ended June 30, 1997 totaled \$316.

Note F - OBLIGATIONS UNDER CAPITAL LEASES (Continued)

The stated minimum lease payments as a result of these noncancelable capital leases together with the present value of the minimum lease payments as of June 30, 1997 are as follows:

Year Ending June 30,	
1998	\$ 3,404
1999	3,390
2000	3,380
2001	<u>3,369</u>
Total stated minimum lease payments	14,144
Amount representing imputed interest	<u>3,156</u>
Present value of capitalized lease obligations	<u>\$10,988</u>

Note G - MORTGAGE NOTES PAYABLE

Mortgage notes payable consists of the following at June 30, 1997:

Note payable: 10.7% annual interest; payable in monthly installments of \$1,941 including interest; final payment due August 2000.	\$ 63,529
Note payable: 8.5% annual interest; payable in monthly installments of \$1,772 including interest; final payment due July 2002.	<u>180,000</u>
Total	<u>\$243,529</u>

Note G - MORTGAGE NOTES PAYABLE (Continued)

The mortgage notes payable are secured by land and buildings costing \$291,311. Interest expense for the year ended June 30, 1997, relating to mortgage notes payable, totaled \$7,484.

The maturities for the mortgage notes payable are as follows:

Year Ending June 30,	
1998	\$ 23,783
1999	26,246
2000	28,987
2001	11,859
2002	9,472
2003 - 2012	<u>142,382</u>
Total	<u>\$242,729</u>

Note H - ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities consist of the following at June 30, 1997:

Accrued expenses	\$182,528
Accrued salaries and payroll taxes	102,966
Compensated absences	197,224
Due to agencies	61,966
Other	<u>12,872</u>
Total	<u>\$557,556</u>

Note J - COMMITMENTS

The Organization leases facilities and equipment under operating leases expiring through the year 2001. Rental expense related to these leases was \$305,611 for the year ended June 30, 1997. Minimum future rental payments due under these leases as of June 30, 1997 are as follows:

Year Ending <u>June 30,</u>	
1998	\$287,976
1999	124,796
2000	89,421
2001	49,822
2002	<u>1,288</u>
Total	<u>\$553,283</u>

Management expects that in the normal course of business, leases will be renewed or replaced by other leases.

On October 3, 1997, the Organization entered into a construction contract for certain renovations to a group home. The Organization has secured financing for the contract cost which approximates \$61,899.

Note J - PENSION PLAN

The Organization has a defined contribution pension plan covering substantially all of its full-time and part-time employees. There were no contributions for the year ended June 30, 1997.

Note K - CONCENTRATIONS OF CREDIT RISK

State law requires that deposits of all political subdivisions be fully collateralized at all times. Acceptable collateralization includes FDIC/FSLIC insurance and the market value of securities purchased and pledged to the political subdivision. The Organization, being a quasi-public nonprofit entity, is required to comply with these regulations. Obligations of the United States, the State of Louisiana and certain political subdivisions are allowed

Note K - CONCENTRATIONS OF CREDIT RISK (Continued)

as security for deposits. Obligations furnished as security must be held by the political subdivision or with an unaffiliated bank or trust company for the account of the political subdivision. At various times during the year, deposits in excess of FDIC insurance were collateralized by the securities described above.

Note L - UNEMPLOYMENT INSURANCE FUND

Effective July 1, 1992, the Organization became self-insured for employer unemployment compensation claims through the establishment of an Organization unemployment insurance fund.

For the year ended June 30, 1997, payments totaling \$72,645 were made from program funds to the unemployment insurance fund which is accounted for as revenue of the unemployment insurance fund and an expense of the related program. The unemployment insurance fund reimburses the general fund for all direct and indirect costs in administering the program and transfers all interest income earned on unemployment insurance funds to the general fund.

All known claims as of June 30, 1997 have been recorded in the financial statements. The fund balance of the Unemployment Insurance Fund totaled \$85,235 as of June 30, 1997. The Unemployment Insurance Fund balance is included in unrestricted net assets for financial statement presentation.

Note M - CASH FLOW INFORMATION

During the year ended June 30, 1997, cash paid for interest totaled \$12,532.

Note N - ECONOMIC DEPENDENCY

The Organization receives a majority of its revenue from funds provided through programs administered by the State of Louisiana. The program amounts are appropriated each year by the federal and state governments. If significant budget cuts are effected at the federal and/or state level, the amount of the funds the Organization receives could be reduced significantly and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Organization will receive in the next fiscal year.

Note D - CONTINGENCIES

Programs administered by the Organization are subject to review and audit by the various funding agencies. Accordingly, any disallowed payments which may arise as a result of these audits, may be recovered by the funding agencies in subsequent years.

SUPPLEMENTAL INFORMATION

COMBINED STATEMENT OF EXPENSES BY FUND

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1997

	Totals-Program, Administrative & General Funds	Unemployment Insurance Fund	Total
Administrative and general	\$ 2,929,558	\$ 44,075	\$ 2,973,633
Fleet operation and maintenance	143,048	-	143,048
Cost related to capital assets	387,435	-	387,435
Dietary	63,957	-	63,957
Laundry and linen	762	-	762
Housekeeping	9,366	-	9,366
Personal client needs	109,247	-	109,247
Medical and nursing	28,967	-	28,967
Therapeutic and training	9,823,657	-	9,823,657
Recreational	37,189	-	37,189
Consultants	<u>189,263</u>	-	<u>189,263</u>
Totals	<u>\$ 13,642,362</u>	<u>\$ 44,075</u>	<u>\$ 13,686,438</u>

STATEMENT OF EXPENSES BY PROGRAM (FUSD)

Gold Coast Teaching Family Services, Inc.

For the year ended June 30, 1997

	Property Community Homes	Ataris Community Homes New Orleans Providers 41170014	Minuteman Cycles Lullaby Provider 41170004	Independent Living Programs Lullaby 2007-0014	Independent Living Programs Homes 2007-0003	Department of Community SOC 4400-01-04	Child's Alternative Program Homes
Administrative and general	\$ 48,004	\$ 39,870	\$ 4,789	\$ 18,178	\$ 12,394	\$ 9,400	\$ 311
Plant operation and maintenance	21,636	14,641	-	-	9,954	11	-
Contracted occupational services	9,000	19,287	4,240	4,344	10,283	4,927	-
Dentary	33,890	6,736	-	-	-	28	-
Laundry and linen	58	104	-	-	-	-	-
Housekeeping	4,988	5,215	-	-	-	-	-
Personal office needs	9,828	3,460	110	1,266	4	6,043	18
Medical and nursing	2,812	1,461	-	-	-	-	-
Therapeutic, case making	399,741	124,834	95,077	31,272	56,071	247,362	9,669
Personnel	7,401	1,021	56	10,028	1,283	214	-
Consultants	4,024	3,456	3,022	-	-	174	2,542
	219,739	204,179	111,440	101,069	60,077	287,860	9,694
	41,329	28,949	18,826	33,824	24,000	98,167	1,452
Administrative costs - allocated	\$ 255,495	\$ 264,012	\$ 122,686	\$ 134,893	\$ 114,077	\$ 323,449	\$ 11,206
Totals							

STATEMENT OF EXPENSES BY PROGRAM (FTE)

Gulf Coast Teaching Family Services, Inc.

Fiscal year ended June 30, 1977

	Books Services -GMS Plus Fund Revolving	Support Equipment Laptops Printer FAX	Child Agreement Program Laptops DRETS DRETS	Private Practice Site Office TRF miscellaneous	Supervised Agreement Program GMS Miscellaneous	Supervised Independent Living Program Title IX Loan Studies Printer miscellaneous	English Family Care Basic Needs TRF miscellaneous
Administrative and general	\$ 228	\$ 248	\$ 6,291	\$ 14,281	\$ 1,228	\$ 23	\$ 16,246
Plant operations and maintenance	-	-	343	31	39	-	1,299
Capital equipment	-	-	441	3,471	-	-	392
Travel	-	-	-	-	-	-	-
Locality and food	-	-	-	-	-	-	-
Printing	-	-	-	-	-	-	7
Personnel direct costs	-	424	1,986	3,415	16,130	-	6,288
Medical and nursing	-	-	75	-	-	-	149
Transportation and mileage	319	308	41,339	68,169	16,138	6,723	276,899
Recreation	-	-	-	428	-	-	-
Consultants	192	-	-	1,900	-	-	-
	1,299	1,892	12,496	47,119	31,467	6,723	264,268
Administrative costs - allocated	347	179	5,822	3,628	3,071	1,438	11,485
Totals	\$ 2,115	\$ 2,251	\$ 24,813	\$ 54,357	\$ 38,568	\$ 13,211	\$ 376,001

STATEMENT OF EXPENSES BY PROGRAM / FUND

Child Care Teaching Family Services, Inc.

For the year ended June 30, 2017

	Regular Family Care Lafayette TFR	Regular Family Care Homes TFR	Regular Family Care New Orleans TFR	Regular Family Care New Orleans LMA Provider TFR	Personal Care Attendant New Range LMA Provider TFR	Department of Children & Family Services New Orleans Contract LMA	Department of Children & Family Services New Orleans Contract LMA	Department of Children & Family Services New Orleans Contract LMA	Department of Children & Family Services New Orleans Contract LMA
Administrative and general	\$ 1,799	\$ 3,854	\$ 14,401	\$ 89	\$ 89	\$ 20,659	\$ 12,246	\$ 1,714	\$ 1,714
Plant operations and maintenance	-	31	25	-	-	45	1,879	-	-
Cost related to capital assets	1,659	-	341	-	-	39	1,457	7,135	7,135
Debtary	-	-	-	-	-	-	1,210	-	-
Luxury and life	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	-	-	-	-	-	-	-
Personal services	1,723	1,591	9,971	-	-	-	653	89	89
Individual and family	-	39	32	-	-	-	-	-	-
Transportation and mailing	55,483	390,057	574,339	7,894	-	186,739	89,523	61,071	61,071
Recreation	188	-	172	-	-	1,123	2,428	-	-
Construction	21	-	1,655	-	-	-	1,185	-	-
	80,148	174,348	183,714	7,904	-	181,669	112,503	24,239	24,239
	17,188	31,628	38,182	1,581	-	34,268	21,818	4,881	4,881
Administrative costs - allocated	\$ 150,031	\$ 203,623	\$ 667,186	\$ 8,111	\$ 8,111	\$ 221,857	\$ 139,345	\$ 12,862	\$ 12,862
Totals									

STATEMENT OF EXPENSES BY PROGRAM LINE

Calf Coast Teaching Family Services, Inc.

Fiscal year ended June 30, 1991

	CMR in Lafayette 1990-1991	Personal Care Assistance - New Orleans	Arabic Program New Orleans	Consumer- Employment Development Lafayette	Basin New Orleans Provider 1/1/89-6/30/91	Personal Care Assistance New Orleans Provider 6/1/89-6/30/91	Special Day/El Cooper Priority Comprehensive Fund Lafayette
Administrative and general	\$ 14,581	\$ 686	\$ 9,802	\$ 79	\$ 18,491	\$ 27,469	\$ 2,479
Plant operation and maintenance	-	-	-	-	2,623	3,129	-
Cost related to capital assets	3,280	-	478	-	5,215	5,899	-
Deprecy	-	-	-	-	49	195	-
Travel and films	-	-	-	-	-	-	-
Stenotyping	-	-	-	-	278	423	-
Personal advice work	222	-	-	-	-	-	-
MANUAL and printing	-	-	-	-	618	778	-
Telephone and printing	99,741	8,022	5,583	3,090	682,982	641,792	11,848
Insurance	714	-	-	-	18	28	-
Consultants	42	-	841	-	6,824	2,582	882
	118,610	8,618	15,703	3,079	483,294	687,661	14,404
Administrative costs - allocated	18,644	3,458	4,811	281	83,882	122,212	14,852
Total	\$ 176,621	\$ 12,644	\$ 25,411	\$ 3,360	\$ 1,019,088	\$ 1,019,031	\$ 19,416

STATEMENT OF EXPENSES BY PROGRAM/CLINE

Griff Coast Teaching Family Services, Inc.

For the year ended June 30, 1997

	Receipts From Receipts Provider 477,231	Personal Care Attendant From Receipts Provider 477,231	Self Care Receipts 477,231	Supervised Individuals: Living 700-315 From Receipts Provider 477,231	OCS Foster Parent Training Liaison Services 40,120	Personal Care Attendant From Receipts Provider 477,231	Receipts From Receipts Provider 477,231	Emergency From Receipts Provider 477,231
Administrative and general	\$ 13,034	\$ 47,728	\$ 767	\$ 27,984	\$ 1,526	\$ 19,967	\$ 8,703	\$ 2,379
Plan operations and maintenance	1,290	4,624	45	1,441	-	2,717	217	-
Costs related to capital assets	377	564	478	265	-	566	666	66
County	22	26	413	17	743	-	-	-
Leasehold and linen	-	-	-	-	-	48	-	-
Housekeeping	-	-	-	-	-	-	-	-
Personal client needs	669	669	181	972	-	-	-	-
Medical and nursing	2,156	4,984	-	11	-	978	164	-
Therapies and training	394,111	682,447	6,036	228,624	-	283,796	281,492	32,282
Recreational	-	-	286	-	-	1,288	87	-
Construction	-	-	-	-	8,028	2,892	1,842	3,982
Administrative non - allocated	424,177	746,249	9,522	295,278	1,430	415,682	293,572	49,272
	71,852	178,833	3,881	64,284	1,264	80,771	47,494	2,281
Totals	\$ 1,072,628	\$ 1,872,474	\$ 11,441	\$ 524,872	\$ 11,282	\$ 1,498,658	\$ 1,133,286	\$ 47,478

STATEMENT OF EXPENSES BY PROGRAM (USD)

Grail Coast Training Family Services, Inc.

For the year ended June 30, 1987

	Supported Living Program (MARR-25-11)	Personal Care Assistance (LADR-25-11)	Respite/Labrador Provider (LADR-25-11)	Personal Care Assistance Provider (LADR-25-11)	Supervised Independent Living Program (TUS-210)	Supervised Independent Living Program (TUS-210)	Year Ending New Orleans Provider (LADR-25-11)	Supervised Independent Living Program (TUS-210)
Administrative and general	\$ 11,008	\$ 89,461	\$ 48,423	\$ 499	\$ 9,899	\$ 9,899	\$ 314	\$ 11,944
Prize expenses and reimbursements	280	1,346	421	-	681	681	-	-
Cost related to capital assets	-	36,457	7,284	-	-	-	-	-
Debt	174	2,879	167	-	17	17	-	4
Laundry and linen	-	-	-	-	-	-	-	-
Boarding	-	-	-	-	-	-	-	-
Personal allowances	4,288	2,248	5,112	-	42	42	-	1,425
Medical and nursing	-	1,771	1,678	-	170	170	-	-
Telephone and printing	79,647	1,446,224	781,842	42,899	246,573	246,573	18,248	249,429
Recreational	2,266	3,897	114	-	-	-	-	15
Conferences	2,759	1,482	164	-	-	-	-	428
	188,476	1,349,838	774,827	43,748	247,271	247,271	18,262	249,246
Administrative costs - allocated	21,652	225,483	111,961	3,682	48,734	48,734	3,218	26,622
Total	\$ 1,275,511	\$ 1,473,921	\$ 865,781	\$ 47,430	\$ 339,881	\$ 339,881	\$ 23,982	\$ 371,118

STATEMENT OF EXPENSES BY PROGRAM/AGENCY
Gift Care Teaching Family Services, Inc.

For the year ended June 30, 1989

	Specialized Independent Living Program Site - SCL Ludlow Parade 8751-8762	Specialized Therapeutic Family Care Home MAY-88-12	CAMP MUTY Home MAY-88-12	Therap. Living Ludlow 125 Vander Bilt	Crisis Respite Home Care MAY-88-02
Administrative and payroll	\$ 30,278	\$ 79	\$ 6,891	\$ 1,241	\$ 1,410
Plant operations and maintenance	871	-	6,889	-	82
Cost related to capital assets	9,023	-	2,100	-	-
Utility	-	-	2,173	-	-
Laundry and linen	-	-	-	-	-
Housekeeping	-	-	-	-	-
Personal care needs	134	79	-	-	-
Medical and nursing	822	-	-	-	-
Therapeutic and training	31,270	4,194	48,250	13,322	38,004
Recreational	180	-	1,182	-	-
Contributions	47	4,621	4,028	432	-
	52,909	11,111	70,978	14,998	11,484
Administrative fees - allowed	50,612	373	11,681	3,476	3,524
Totals	\$ 488,016	\$ 11,954	\$ 181,582	\$ 12,482	\$ 18,978

STATEMENT OF EXPENSES BY PROGRAM/ FUND

Golf Coast Teaching Family Services, Inc.

For the year ended June 30, 1997

	COMM Drop In Center Rooms 8887-35-174 8887-35-174	Regional Living New Orleans 888-552-5250 888-552-5250	Vocational Rehabilitation Birmingham L.A.S Vander Campbell 888-552-5250	Department of Correction Teacher Prep Parolement Clemson 888-552-5250	Department of Corrections Tomball Houston Clemson 888-552-5250	Substitutions Cody New Orleans Perrine 888-552-5250
Administrative and general	\$ 3,004	\$ 211	\$ 19,826	\$ 19,798	\$ 13,813	\$ 587
Plant operation and maintenance	3,927	-	3,278	469	-	283
Cost related to specific needs	-	-	13,449	1,829	-	-
Electricity	293	-	113	-	-	-
Laundry and linen	-	-	-	-	-	-
Bookkeeping	-	-	5,183	17	-	-
Personal office needs	-	3,431	-	17	-	22
Medical and nursing	-	-	-	119	-	-
Therapeutic and training	5,834	14,428	152,654	43,217	21,119	9,354
Recreational	1,874	-	48	-	-	11
Conferences	-	-	-	-	-	428
Administrative costs - allocated	13,446	16,566	187,295	42,158	34,134	1,349
	3,792	3,571	34,118	12,911	4,628	1,182
Total	1,18,811	3,21,663	3,28,173	3,38,592	5,40,785	9,342

STATEMENT OF REVENUES BY PROGRAM (USD)

Gulf Coast Teaching Family Services, Inc.

Periods year ended June 30, 1995

	Personal Care Admission Placement Provider #182713 #180082	Empty Placement Provider #182713 #180082	The Open Family New Orleans #182713	Simple Laba Clinics Provider #180082	Personal Care Admission Laba Clinics Provider #180082	Individualized Treatment Living Arrangements Home #180082	Supply/ Care Items New Orleans #180082	Subsistence Family Care New Orleans Provider #180082
Administrative and general	\$ 13,342	\$ 8,498	\$ 90	\$ 182	\$ 204	\$ 144	\$ 3,340	\$ -
Plant operation and maintenance	1,028	369	-	-	-	-	-	-
Cost related to explicit work	2,782	2,424	-	-	-	49	-	-
Grants	-	-	-	-	-	-	-	129
Family and Home	-	-	-	-	-	-	-	-
Rehabilitation	81	15	-	-	-	-	-	-
Personal care work	-	-	-	-	-	398	-	-
Medical and nursing	6,432	3,048	-	-	-	-	-	-
Therapeutic and training	298,298	142,497	444	28,128	17,311	1,792	47,988	-
Recreational	18	18	-	-	-	-	883	-
Construction	-	-	474	-	-	-	4,328	3,188
	298,298	188,090	918	28,310	17,311	2,298	16,694	3,119
Administrative costs - #180082	21,622	31,212	128	1,987	3,912	688	8,218	682
Totals	\$ 348,150	\$ 259,773	\$ 1,528	\$ 31,318	\$ 21,611	\$ 3,086	\$ 18,912	\$ 4,101

STATEMENT OF EXPENSES BY PROGRAM/LINE

Call Coast Training Facility Services, Inc.

For the year ended June 30, 1993

	Personal Clothing Head Golfing Housing	Cover Expenses Utilities Food PTSD HDL HDL	Business Expenses Travel Travel Travel Travel Travel	Student Care Scries Housing LMA Vehicle HDL	Other Post Paid Reserve HDL	IR Habitat Care Substance	Sample Room HDL	Expected Independent Living Program HDL
Administrative and general	\$ 13	\$ 2,465	\$ 414	\$ 47	\$ 60,380	\$ 567	\$ 1,075	\$ 26
Plant operation and maintenance	-	180	411	-	578	-	-	47
Car related to capital assets	-	-	-	-	-	-	-	-
Dining	-	-	-	-	16	-	-	-
Luxury and loss	-	-	-	-	-	-	-	-
Homebuying	-	-	-	-	-	-	-	-
Personal other assets	-	100	138	-	4,089	-	-	186
Medical and nursing	-	8	-	-	-	-	-	-
Transport and training	1,821	8,049	11,405	3,589	-	9,089	14,671	609
Recreation	-	100	-	-	486	-	-	-
Consultants	-	5,886	-	-	432	-	-	-
	1,821	23,020	12,793	3,689	16,294	9,889	15,150	825
Administrative costs - allocated	281	3,911	2,182	471	3,381	1,628	3,445	180
Totals	\$ 2,102	\$ 29,031	\$ 14,975	\$ 4,160	\$ 19,675	\$ 11,517	\$ 21,595	\$ 1,005

STATEMENT OF EXPENSES BY PROGRAM ITEM

Gulf Coast Training Family Services, Inc.

For the year ended June 30, 1977

	Support Living Arrangement Admission Fees PRSA FUEL	Required Employment Basic Needs LIFE Vocational services		Private Counseling Fees Books		Personal Needs Books		Transport Fees and Supplies Tuition Books	Recreation, Age Support Fees Miscellaneous	Required Individual Living Costs/CCO expenses
		\$	%	\$	%	\$	%			
Administrative and general	5	48	5	1,109	20	5	11	3	17,268	119
Fees, supplies and expenses	-	-	-	-	-	-	-	-	7,794	-
Cost related to capital assets	-	-	556	-	-	-	-	-	2,028	-
Diversity	-	-	-	-	-	-	-	-	-	-
Laundry and linen	-	-	-	-	-	-	-	-	-	-
Housekeeping	-	-	-	-	-	-	-	-	-	-
Personal client assets	-	-	-	-	-	1,056	-	-	2,028	-
Medical and nursing	-	-	-	-	-	-	-	-	-	-
Transport and training	2,412	6,081	1,457	-	7,538	119	10	10	12,770	2,487
Recreational	-	-	23	-	-	-	-	-	82	-
Contributions	-	-	-	-	-	-	-	-	18	-
	2,412	14,581	1,486	1,056	7,457	119	10	10	41,962	2,587
	479	2,241	219	283	1,498	29	29	29	812	471
Administrative costs - allocated	81,032	81,032	81,032	81,032	81,032	81,032	81,032	81,032	81,032	81,032
Totals										

STATEMENT OF EXPENSES BY PROGRAM/LEADER

Golf Court Teaching Party Services, Inc.

For the year ended June 30, 1997

	Supplemental Independent Living Program FSA 529 Accounts Provider services	Receipts Accounts Provider services	Subsidiary Family Care S. Illinois Estate Plan Provider services	OCFYS, Inc. Receipts Estate Plan Consulting	OCFYS, Inc. Consulting	Supplemental Independent Living Program FSA 529 Accounts Provider services	Family Receipts Accounts Provider services
Administration and general	\$ 863	\$ 368	\$ -	\$ 3,170	\$ 2,400	\$ 311	\$ -
Plan operation and maintenance	34	-	-	1,879	54	-	-
Cost related to capital assets	213	-	-	-	-	-	-
Deprecy	-	-	-	110	114	-	-
Laundry and linen	-	-	-	-	-	-	-
Bookkeeping	-	-	-	-	-	-	-
Personal client meals	-	-	-	200	-	-	4,312
Medical and nursing	-	-	-	-	-	-	-
Transportation and mileage	34,813	24,797	4,380	8,228	-	31,497	10
Recreation	-	-	-	1,000	-	-	-
Contributions	-	-	-	-	-	-	-
	35,144	25,065	4,380	16,297	2,778	31,497	4,345
Administrative costs - all treated	3,845	3,172	773	3,793	483	3,452	728
Totals	\$ 40,492	\$ 32,408	\$ 5,153	\$ 19,524	\$ 3,221	\$ 38,250	\$ 5,073

STATEMENT OF EXPENDITURE PROGRAMS - FUND

Craft Coast Trucking Family Services, Inc.

For the year ended June 30, 1993

	Administrative Costs						General Fund
	Personnel	Materials	Travel	Telephone	Contract	Office	
Administration and general	\$ 47,000	\$ 54,481	\$ 182,000	\$ 129,172	\$ 233,528	\$ 1,029,448	\$ 1,535,762
Plant operation and maintenance	1,000	5,000	6,861	14,033	9,323	18,896	549
Cost related to capital assets	164	39,952	81,775	26,359	42,236	75,545	1,829
Delivery	623	80	880	506	750	716	8,489
Luxury and fleet	-	-	-	-	-	-	-
Employment	40	-	6	-	-	-	-
Personal class meals	4	28	-	-	1,217	-	1,149
Medical and nursing	-	281	-	-	-	-	-
Therapeutic and mobility	-	489	75	757	398	-	1,619
Recreation	21	-	119	5	-	-	258
Construction	-	-	-	-	2,817	88	3,005
	71,264	129,823	361,448	379,367	279,692	1,113,678	2,112,278
	<u>73,268</u>	<u>179,643</u>	<u>443,496</u>	<u>415,802</u>	<u>282,908</u>	<u>1,113,678</u>	<u>2,112,278</u>
Administrative costs - off-budget	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,413,944

STATEMENT OF EXPENSES BY PROGRAM / FUND

Cruik Court Teaching Family Services, Inc.

For the year ended June 30, 1997

	Teach-Program, Administrative & General Funds		Employment Incentive Fund		Totals	
		\$		\$		\$
Administrative and general		2,879,448		8,44,873		3,724,321
Plant operation and maintenance		941,048		-		941,048
Cost related to capital assets		271,457		-		271,455
DEBT		41,903		-		41,907
Laundry and linen		793		-		792
Bookkeeping		9,346		-		9,346
Personal advice costs		199,247		-		199,247
Medical and nursing		24,971		-		24,967
Transport and training		8,623,871		-		8,623,867
Recreational		77,073		-		77,110
Contributions		129,261		-		129,267
		11,942,741		84,873		12,027,614
Administrative costs - off-budget		13,879		3,478		-
Totals		11,956,620		88,351		12,044,971

SPECIAL REPORTS OF INDEPENDENT AUDITOR



George & Bennett

**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,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

We have audited the financial statements of Gulf Coast Teaching Family Services, Inc. (the Organization), as of and for the year ended June 30, 1997, and have issued our report thereon dated December 19, 1997. We conducted our audit in accordance with generally accepted auditing standards 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 the Organization'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 these 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Organization'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 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 the Organization'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 97-1 through 97-7.

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 none of the reportable conditions described above is a material weakness.

This report is intended for the information of the Board of Directors, management and others within the Organization, the State of Louisiana - Department of Health and Hospitals and the State of Louisiana - Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants.

New Orleans, La.,
December 19, 1997.



Bourgeois Bennett

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

To the Board of Directors,
Gulf Coast Teaching Family Services, Inc.,
New Orleans, Louisiana.

Compliance

We have audited the compliance of Gulf Coast Teaching Family Services, Inc. (the Organization), 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 June 30, 1997. The Organization'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 the Organization's management. Our responsibility is to express an opinion on the Organization's 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, *Audit 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 the Organization's compliance with these 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 the Organization's compliance with these requirements.

In our opinion, the Organization 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 June 30, 1997.

Internal Control Over Compliance

The management of the Organization 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 the Organization'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.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. 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. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board of Directors, management and others within the Organization, the State of Louisiana - Department of Health and Hospitals and the State of Louisiana - Legislative Auditor. However, this report is a matter of public record and its distribution is not limited.

Bourgeois Bennett, L.L.C.

Certified Public Accountants

New Orleans, La.,
December 19, 1997.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gulf Coast Teaching Family Services, Inc.

For the year ended June 30, 1993

Federal Granting Agency Recipient State Agency/ Grant Program	Federal / State Grant Number	Catalog of Federal Domestic Assistance Number	Federal Expenditures
Department of Health and Human Services			
Pass through payments -			
Department of Social Services,			
State of Louisiana - Office of Community Services:			
Title IV-E, Independent Living:			
Lafayette region	Unknown / CFMSP037871 / OC08R1839	93.634	\$ 488,050 (1)
Iberville region	Unknown / CFMSP037874 / OC08R1841	93.634	98,685 (1)
Title IV-E, ILP total			586,735
Department of Health and Hospital State of Louisiana - Office of Mental Health, Block grants for Community Mental Health Services:			
In-Home Based Crisis Counseling - Lafayette region			
	Unknown / CFMSP030879 / DH11R3831 OMHSP0393-45-137	93.858	125,801
Wing-Around Services - Baton Rouge region			
	Unknown / CFMSP030879 DH11R3839 OMHSP04167-25-022	93.858	36,046 (2)
OMHS block grant total			161,847

Federal Granting Agency Recipient State Agency/ Grant Program	Federal / State Grant Number	Contract/ Federal Domestic Assistance Number	Federal Expenditures
Department of Health and Human Services			
Pass-through payments - Continued			
Department of Social Services, State of Louisiana - Office of Social Community Services, Social Services Block Grant:			
Foster Parent Training - Lafayette region	Unknown / CFMSP512813	83-667	\$ 12,716
Parent Training - Lafayette region	Unknown / CFMSP500879 OC3801837	83-667	17,495 (2)
Social services block grant total			30,211
Total			\$ 304,587

- (1) Independent Living Program contracts require a match of Program B funds by Gulf Coast Teaching Family Services, Inc. of an equal amount. This match is provided through in-kind services. These services are reported to the funding agency as monthly billings. They are not included in the revenues and expenditures in the Statements of Activities (Exhibit B) of the financial statements, the supplemental information (Schedules 1 and 2), nor on this schedule. During the year ended June 30, 1997 in-kind services provided as match were: Lafayette \$27,150 and Bienville \$48,000.
- (2) These contracts are for a negotiated per diem or fee for service method of payment rather than on a cost reimbursement basis.

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Gulf Coast Teaching Family Services, Inc.

June 30, 1997

Note 1 - SCOPE OF AUDIT PURSUANT TO OMB CIRCULAR A-133, SINGLE AUDIT ACT AMENDMENTS OF 1996

All Federal program awards of the Gulf Coast Teaching Family Services, Inc. are included in the scope of OMB Circular A-133. The United States Department of Health and Human Services is the Organization's oversight federal audit agency.

Note 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Schedule of Expenditures of Federal Awards has been prepared on the accrual basis of accounting.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS**Gulf Coast Teaching Family Services, Inc.**

For the year ended June 30, 1997

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements of Gulf Coast Teaching Family Services, Inc.
2. Reportable conditions disclosed during the audit of the financial statements are reported in Part B of this Schedule. None of the conditions are considered material weaknesses.
3. No instances of noncompliance material to the financial statements of Gulf Coast Teaching Family Services, Inc. were disclosed during the audit.
4. There were no reportable conditions disclosed during the audit of the major federal award programs.
5. The auditor's report on compliance for the major federal award programs for Gulf Coast Teaching Family Services, Inc. expresses an unqualified opinion.
6. Audit findings relative to the major federal award programs for Gulf Coast Teaching Family Services, Inc. are reported in Part C of this Schedule.
7. The program tested as a major program was:

	Federal CFDA Number
Title IV-E, Independent Living	93.674

8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Gulf Coast Teaching Family Services, Inc. was not determined to be a low-risk auditee.

B. Reportable Conditions - Financial Statement Audit

97-1 Computer Software

Condition - Present software packages do not include all the necessary controls to ensure the integrity of data being processed. We noted several instances in which carryforward totals were changed without a detail trail to follow and where data was apparently lost when the system was interrupted. The system is slow in processing data.

Recommendation - We understand that management has been evaluating software packages. The new software package should be installed as soon as possible.

97-2 Billings and Collection System

Condition - The sub-ledger of program receivables was not reconciled to the general ledger receivable and revenue accounts on a monthly basis. Revenues were not reconciled with the provider's contract terms on a current basis.

Recommendation - The sub-ledger of program receivables should be reconciled to the general ledger monthly. Receivables for each program should be reviewed to assure that receipts are in agreement with the contract's terms, as applicable.

97-3 Extraordinary Costs

Condition - Under the terms of a certain contract the Organization must notify the grantor agency of any reduction greater than 3% for an extraordinary cost due to a decrease in need. Due to a misunderstanding of contract terms, the organization failed to make such notification.

Recommendation - The Organization must monitor all contract terms to assure that all requirements are followed and changes in conditions are reported to grantor agencies.

97-4 Expense Allocation

Condition - There were instances where no clear indication of how allocation percentages were derived for invoices allocated to different programs.

Recommendation - The basis for allocation of an expenditure to various programs should be documented.

97-5 Account Coding of Expense Invoices

Condition - Account codings were not documented or were incorrectly recorded on certain requests for checks.

Recommendation - All requests for checks should be properly coded and such coding should be reviewed by management before payment of the invoice.

97-6 Support For Disbursement

Condition - Checks were written as payments to vendors with no invoice to support the payment or a copy of an invoice was used as support for payment.

Recommendation - Checks for vendor payments should be issued only upon presentation of an original vendor invoice that has been approved for payment by the proper management personnel.

97-7 Billings In Excess of Budget

Condition - Billings were in excess of allowable budget amounts for some contracts. The Organization has recorded such amounts as a payable to the funding agency.

Recommendation - Account billings should be reviewed to assure that they do not exceed allowable costs under the terms of the contract.

C. Findings and Questioned Costs - Major Federal Award Program

There were no findings or questioned costs disclosed during the year ended June 30, 1997.

SUMMARY OF PRIOR YEAR AUDIT FINDINGS**Gulf Coast Teaching Family Services, Inc.**

For the year ended June 30, 1997

96-1 Receivables - Collections

Condition - As of June 30, 1996, the Organization had program receivables totaling \$1,310,238. The delay in collecting these amounts has created a cash flow problem for the Organization. (June 30, 1996).

Recommendation - We recommend the Organization formulate written collection procedures for management to follow in the collection of overdue accounts.

Status - This finding has been resolved as of June 30, 1997.

96-2 Vendor 1099's

Condition - The Organization's EDP system captures transactions with vendors that are recorded as accounts payable and paid through their operating account. Some vendor payments are being made by the regional offices from their petty cash accounts and are collected as an expense and petty cash reimbursement rather than as accounts payable transactions. These are not a part of the vendor's history when 1099's are prepared. (June 30, 1996).

Recommendation - We recommend the Organization immediately adopt and implement policies and procedures prohibiting disbursement by the regions from petty cash to any vendor who may require a 1099, pursuant to the Internal Revenue Code. It is further recommended that a review of all petty cash payments made in 1996 be initiated immediately to assure all reportable amounts for applicable vendors are included on their 1099's for 1996.

Status - This finding has been resolved as of June 30, 1997.

96-3 Computer Software

Condition - Present software packages do not include all the necessary controls to ensure the integrity of data being processed. We noted several instances in which carryforward totals were changed without a detail trail to follow and whose data was apparently lost when the system was interrupted. The system is slow in processing data. (June 30, 1996).

Recommendation - We understand that management has been evaluating software packages. The new software package should be installed as soon as possible.

Status - The Organization is still reviewing available systems for replacement of the existing system. See reportable condition 97-1.

96-4 Computer Backup System

Condition - The computer system data is maintained on a parallel system. However, no offsite backup of the system was being maintained. (June 30, 1996).

Recommendation - We have noted that a tape backup of the system was implemented upon our bringing this to management's attention and is being maintained offsite on a current basis. We recommend formal policies and procedures be developed for the continued maintenance and storage of backup for all data systems offsite on a current basis.

Status - This finding has been resolved as of June 30, 1997.

96-5 Payroll

Condition - The payroll clerk prepares the payroll and controls the check signing machine. (June 30, 1996).

Recommendation - We recommend control of the check signing machine be maintained by an employee who does not record transactions.

Status - This finding has been resolved as of June 30, 1997.

GULF COAST TEACHING FAMILY SERVICES, INC.
Auditor's Reportable Conditions and Recommendations
Corrective Action Plan
For the year ended June 30, 1997

97-1 Management has selected an accounting software package to replace the existing one. The new software package will be implemented as of July 1, 1998.

97-2 A new accounts receivable software package was installed during the 1996/1997 fiscal calendar year. Data for the current year was input and the sub-ledger was reconciled as of June 30, 1997.

Effective July 1, 1997, the sub-ledger will be reconciled monthly on a timely basis. For Fiscal Year 1997/1998, revenues/receivables for each applicable program will be reviewed monthly in relation to the contract's terms. This monthly review will start on January 1, 1998.

97-3 The particular contract concerned was monitored, however, the Program Director misinterpreted the contract terms (interpretation was that notification was required when it was considered that there was a significant decrease in provided services. An individual with the grantor agreed with this interpretation; while, another representative advised that notification is required when there is a reduction in service costs). The program director and other responsible parties are now properly informed.

Effective July 1, 1998, an individual at the central office was assigned responsibility for all contracts. The responsibilities include but are not limited to monitoring the contracts and assuring compliance with the terms.

GULF COAST TEACHING FAMILY SERVICES, INC.
Auditor's Reportable Conditions and Recommendations
Corrective Action Plan
For the year ended June 30, 1997

- 93-4 Allocation percentages are based on various formulas (e.g. square footage, time or usage) for a program, etc. Some formulas are clearly documented and others are based on observations of the regional director and program directors.

In addition, the development of a new Accounts Payable Procedure Policy has begun. The new written procedures are scheduled to be in place February 1, 1998. These procedures will require a review and the documentation for the basis of the allocation of expenditures to the various programs.

- 93-5 A new Accounts Payable Coordinator was hired for the accounting staff in October, 1997. The new coordinator is not processing any requests for checks that do not contain the proper coding and management approval.

During July 1997, the accounting staff conducted training sessions for certain persons responsible for coding requests for checks.

The new Accounts Payable Procedures Policy (see 93-4) will include guidelines for coding. Additional training sessions will be conducted in connection with the implementation of the new procedures.

- 93-6 A new Accounts Payable Coordinator was hired for the accounting staff in October, 1997. The new coordinator is not processing any requests for checks that do not have an original invoice support and the proper management approval.

The new Accounts Payable Procedures Policy (see 93-4) will include instructions for preparation of requests for checks and providing original invoice support. Training sessions will be conducted in connection with the implementation of the new procedures. They will focus on proper invoice support for vendor payments.

GULF COAST TEACHING FAMILY SERVICES, INC.
Auditor's Reportable Conditions and Recommendations
Corrective Action Plan
For the year ended June 30, 1997

- 97-7 In conjunction with the reconciliation of the accounts receivable sub-ledger, the general ledger accounts, and the review of receipts/contract terms (see 97-2), billings will be reviewed to assure that they do not exceed allowable costs under amounts that are close to or do vary from the approved budget. The identified accounts/accounts will be reported to regional/program directors for appropriate action. This responsibility has been assigned to a particular function at the Central Office.

In addition, a new Billing/Accounts Receivable Procedures Policy will be developed during the 1997/1998 Fiscal Year. These procedures will provide instructions and responsibilities for assuring that billings do not exceed allowable costs under the terms of the contracts. The new procedures policy is scheduled to be put in effect April 8, 1998.

CONTACT PERSON RESPONSIBLE
FOR CORRECTIVE ACTION ----- DAVID BARBER, CONTROLLER

SUBMITTED BY:



RODNEY J. ESTRADA, CHIEF FINANCIAL OFFICER