

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

SHREVEPORT, LOUISIANA

FINANCIAL STATEMENTS

June 30, 2004

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 2-9-05

Marsha O. Millican  
Certified Public Accountant  
Shreveport, Louisiana

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Table of Contents

June 30, 2004

	<u>Page</u>
Independent Auditors' Report	1- 2
Statement of Financial Position                      Exhibit A	3
Statement of Activities                                      Exhibit B	4
Statement of Functional Expenses                      Exhibit C	5
Statement of Cash Flows                                      Exhibit D	6
Notes to Financial Statements	7 - 10
Supplemental Information:	
Schedule of Expenditures of Federal Awards	11
Schedule of State Contracts	12
Corrective Action Taken on Prior Year Findings	13 - 14
Independent Auditors' Report on Compliance on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with <u>Government</u> <u>Auditing Standards</u>	15 - 16
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	17 - 18
Schedule of Findings	19 - 20



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Council on Alcoholism and Drug Abuse  
of Northwest Louisiana, Inc.  
Shreveport, Louisiana

I have audited the accompanying statement of financial position of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc., (a non-profit organization) as of and for the year ended June 30, 2004. These financial statements are the responsibility of Council's, management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and Government Auditing Standards, issued by the Comptroller General of the United States, and the provisions of Office of Management and Budget Circular A-133 "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and A-133 require that I 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 general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. as of June 30, 2004, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, I have also issued a report dated November 9, 2004 on my consideration of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of my audit.

810 WILKINSON  
SHREVEPORT, LA 71104-3036  
(318) 221-3881  
FAX: (318) 221-4641

My audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The schedule of expenditures of federal awards and schedule of state contracts listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. Such information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements and, in my opinion, is fairly presented in all material respects in relation the general purpose financial statements taken as a whole.

*Nanda E. Melican*

Certified Public Accountant  
November 9, 2004

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Statement of Financial Position

June 30, 2004

## ASSETS

## CURRENT ASSETS:

Cash	\$ 26,460
Grants and contracts receivable	383,977
Prepaid insurance	68,776
Other current assets	<u>590</u>

Total current assets 479,803

FIXED ASSETS: (net) 1,991,411

## OTHER ASSETS:

Deposits	<u>2,320</u>
----------	--------------

Total Assets \$2,473,534

## LIABILITIES

## CURRENT LIABILITIES:

Bank Overdraft	\$ 40,908
Accounts payable	178,311
Payroll liabilities payable	36,175
Other current liabilities	29,008
Notes payable - current portion	<u>95,424</u>

Total current liabilities 379,826

## LONG-TERM LIABILITIES:

Notes payable - net of current portion	627,385
Payable to affiliated companies	80,478
Other long-term liabilities	<u>18,939</u>

Total long-term liabilities 726,802

## NET ASSETS:

Unrestricted	1,366,906
Temporarily restricted	<u>-</u>

Total net assets 1,366,906

Total liabilities and net assets \$2,473,534

The accompanying notes are an integral part of this statement.

## EXHIBIT B

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

## Statement of Activities

For the Year Ended June 30, 2004

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
<b>SUPPORT AND REVENUE:</b>				
Support:				
Grants	\$ -	\$ 330,057	\$ -	\$ 330,057
Contributions	69,796	-	-	69,796
Allocations from Federal Fund Raising Organization	-	43,777	-	43,777
Total Support	69,796	373,834	-	443,630
Revenue:				
Client fees	67,029	-	-	67,029
Program service fees	2,700,596	-	-	2,700,596
Management fees	39,600	-	-	39,600
Rental revenue	122,450	-	-	122,450
Miscellaneous	9,079	-	-	9,079
Total Revenue	2,938,754	-	-	2,938,754
Net Assets Released from Restrictions:				
Satisfaction of usage restrictions	373,834	( 373,834)	-	-
Total Public Support and Revenue	3,382,384	-	-	3,382,384
<b>EXPENSES:</b>				
Program Services	2,869,314	-	-	2,869,314
Management and General	469,624	-	-	469,624
Total Expenses	3,338,938	-	-	3,338,938
Change in Net Assets	43,446	-	-	43,446
Net assets, July 1, as previously reported	1,204,409	33,750	-	1,238,159
Prior period adjustment	119,051	( 33,750)	-	85,301
Net assets, restated	1,323,460	-	-	1,323,460
Net Assets, June 30	<u>\$ 1,366,906</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,366,906</u>

The accompanying notes are an integral part of this statement.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Statement of Functional Expenses

Year Ended June 30, 2004

	<u>Caddo Bossier Center</u>	<u>Adolescent Center</u>	<u>Buckhalter Program</u>	<u>Employee Assistance Program</u>	<u>STEPS</u>
Salaries	77,802	316,045	200,388	160,870	130,883
Payroll taxes	5,816	23,494	16,630	11,411	9,925
Building rent	840	24,840	6,240	8,400	18,840
Equipment rent/lease	1,096	70	1,160	89	4
Fundraising expenses	-	-	-	-	-
Utilities and telephone	15,052	24,320	6,053	11,009	4,597
Auto	2,844	3,782	3,710	3,905	1,066
Insurance	13,483	57,212	14,834	18,904	12,040
Training & travel	351	2,229	361	3,134	1,798
Annual meeting	-	-	-	-	-
Food	17,840	42,691	60,638	-	605
Maintenance and repair	3,944	19,661	2,826	3,476	1,428
Supplies	7,529	17,438	18,059	4,962	8,876
Printing and literature	915	1,211	368	5,480	306
Depreciation	12,453	11,860	10,203	-	11,541
Professional services	15,089	27,022	24,946	7,044	6,931
Advertising/promotion	56	328	56	7,268	56
Interest expense	181	429	-	156	97
Miscellaneous	3,296	11,017	6,655	2,950	7,525
 Total expenditures	 <u>\$ 178,587</u>	 <u>\$ 583,649</u>	 <u>\$ 373,127</u>	 <u>\$ 249,058</u>	 <u>\$ 216,518</u>

The accompanying notes are an integral part of this statement.

Exhibit C

<u>Family Success Institute</u>	<u>Mansfield ADAC</u>	<u>Caddo ADC</u>	<u>Biedenharn Center</u>	<u>Cavanaugh Center</u>	<u>Management and General</u>	<u>Total</u>
182,477	34,529	76,840	116,232	241,714	133,240	1,671,020
13,601	2,596	5,708	8,685	17,630	8,896	124,392
12,840	8,640	840	45,302	12,840	840	140,462
47	110	38	435	37	38	3,124
-	-	-	-	-	3,304	3,304
18,155	2,989	7,743	12,440	15,357	10,124	127,839
3,921	-	502	6,575	2,533	7,565	36,403
21,583	2,317	6,982	11,273	15,028	66,110	239,766
773	989	1,902	2,459	5,714	701	20,411
-	-	-	-	-	6,515	6,515
33,000	-	-	996	19,355	-	175,125
11,984	1,052	2,853	1,401	17,361	2,927	68,913
17,493	2,490	3,338	12,023	24,809	5,969	122,986
419	603	507	145	1,742	1,463	13,159
4,856	584	-	2,142	4,846	59,213	117,698
43,181	48,149	18,475	10,610	29,391	74,980	305,818
260	217	76	391	409	1,580	10,697
323	36	123	96	314	41,254	43,009
<u>8,029</u>	<u>5,094</u>	<u>1,506</u>	<u>9,785</u>	<u>7,535</u>	<u>44,905</u>	<u>108,297</u>
<u>\$ 372,942</u>	<u>\$ 110,395</u>	<u>\$127,433</u>	<u>\$ 240,990</u>	<u>\$ 416,615</u>	<u>\$ 469,624</u>	<u>\$ 3,338,938</u>



COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.  
STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2004

<u>Cash flows from operating activities:</u>	
Increase in net assets	43,446
Adjustments not requiring cash:	
Prior period adjustment	85,301
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	117,698
(Increase) decrease in accounts receivable	( 87,897)
Decrease in food stamps	384
(Increase) in prepaid insurance	( 68,776)
Decrease in due from affiliated companies	85,876
Decrease in other current assets	25,000
Decrease in other assets	200
(Decrease in bank overdraft	( 19,191)
Increase in accounts payable	101,832
(Decrease) in accrued liabilities	( 12,071)
Increase in due to affiliated companies	80,479
Decrease in payroll taxes payable	(186,368)
Total adjustments	<u>37,166</u>
Net cash provided (used) by operating activities	<u>165,913</u>
<u>Cash flow from investing activities:</u>	
Purchase of fixed assets	<u>( 98,694)</u>
Net cash provided (used) by investing activities	<u>( 98,694)</u>
<u>Cash flow from financing activities:</u>	
Proceeds from borrowing	25,438
Principal payments on long-term debt	<u>( 88,332)</u>
Net cash provided (used) by financing activities	<u>( 62,894)</u>
Net increase (decrease) in cash and equivalents	4,325
Cash and equivalents, beginning of year	<u>22,135</u>
Cash and Equivalents, end of year	<u>\$ 26,460</u>
<u>Supplemental disclosures of cash flow information:</u>	
Cash paid during the year for:	
Interest expense	<u>\$ 45,002</u>

The accompanying notes are an integral part of this statement.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Notes to Financial Statements

June 30, 2004

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

A. General:

The Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. is a nonprofit organization exempt for Federal income tax purposes under Section 501(C)(3) of the Internal Revenue Code and is exempt from federal and state income taxes.

B. Nature of Activities:

The purpose of the Council is to continue heightening public awareness that alcoholism and drug addictions are preventable and treatable diseases, through a combined strategy of educational, public policy changes and the efforts of individuals, families and all elements of the community working in concert. The council operates an information center providing a wide variety of information and referrals. The Council also operated the Caddo Bossier Center, the Adolescent Center and the Buckhalter Hotel that provide long-term residential treatment for adults and teens.

C. Basis of Accounting:

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

D. Support and Revenue:

The Council receives its grant, contract support, and program service fees primarily from the State of Louisiana Department of Health and Hospitals and other State Agencies. The Council also receives funds from U.S. Department of HUD and the U.S. Small Business Administration. Support and revenue received from those grants and contracts is recognized on a "net funded" basis whereby State of Louisiana Department of Health and Hospitals, Office for Addictive Disorders funding is recognized on a last-dollar-in basis. Related expenses incurred are "netted" first by client fees and food stamp income in determining grant funds to be recognized. The Council receives client fees and food stamp income for billable client services and recognizes these fees and income when earned.

E. Cash and Cash Equivalents:

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

(Continued)

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Notes to Financial Statements

June 30, 2004

3. Property and Equipment:

Property and Equipment consists of the following:

Buildings and Land	\$ 1,771,680
Leasehold Improvements	453,217
Furniture and Fixtures	35,325
Equipment	<u>473,592</u>
	2,733,814
Less Accumulated Depreciation	<u>( 742,403)</u>
Property and Equipment - Net	<u>\$ 1,991,411</u>

4. Notes Payable

Notes payable at June 30, 2004, consist of the following:

Note payable to AmSouth Bank, interest at 5.00%, \$3,267 monthly principal and interest through September 1, 2006, at which time a balloon payment of the balance of the note is due; collateralized by real estate.	\$ 327,008
Note payable to AmSouth Bank, interest at 5.00%, \$1,591 monthly principal and interest through January 6, 2007, at which time a balloon payment of the balance of the note is due, unsecured.	121,589
Note payable to AmSouth Bank, interest at 7.9%, \$516 monthly principal and interest through July 11, 2008, collateralized by vehicle.	21,578
Note payable to AmSouth Bank, interest at 5.52%, \$1,656 monthly principal and interest through July 30, 2005, at which time a balloon payment of the balance of the note is due, unsecured.	199,574
Note payable to Cambridge Care, LLC, at 6.25%, annual principal and interest due July 20, 2004; collateralized by real estate.	<u>53,060</u>
Total notes payable	722,809
Less: Current portion notes payable	<u>95,424</u>
Long-term portion notes payable	<u>\$ 627,385</u>

Maturities of long-term debt including interest of \$58,701 are as follows:

<u>Years ended June 30:</u>	
2005	\$ 132,018
2006	261,695
2007	382,118
2008	<u>5,679</u>
Total long-term debt	<u>\$ 781,510</u>

(Continued)

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Notes to Financial Statements

June 30, 2004

5. Rental Expense

The Council leases the facilities that house its Caddo-Bossier Center on a ten (10) year basis for \$1 per year beginning July 1, 1997, and ending June 30, 2007.

The Council rents facilities for its Buckhalter and STEPS program from a related party for a total of \$1,900 per month. There is no written agreement for this arrangement.

The Council leases the building that houses its accounting staff and EAP program staff for \$1,400 per month. Lease payments for the year ended June 30, 2004 totaled \$14,000. Future minimum lease payments under the lease agreement are as follows: June 30, 2005 - \$8,400.

6. Related Party Transactions

The Council entered into transactions with Louisiana Association on Compulsive Gambling (LACG), a non-profit organization related through common management. The Council owns a building (separate from the Council's main office) that it leases to LACG. The term of the lease is five (5) years and the lease payment is \$4,500 per month. The lease includes a \$45,000 deposit by LACG that LACG may deduct from its rental payments to the Council at the rate of \$500 per month for ninety (90) consecutive months as a reduction in the amount of the deposit. At June 30, 2004, the remaining amount of deposit was \$11,750. In the event that LACG does not make monthly payments or elects not to occupy the leased premises, the balance of the remaining deposit will be forfeited to the Council.

The Council received \$30,000 in management fees from LACG for the administrative costs of managing LACG's contracts and maintaining its accounting records. The Council also processes LACG's payroll under the Council's name; the Council is reimbursed by LACG for the total cost of the payroll and associated payroll taxes and benefits.

The Council also rented two other buildings to LACG for use in two of LACG's programs. Total rent income recognized by the Council on these buildings during the fiscal year ended June 30, 2004, was \$69,600.

The Council also entered into transactions with Buckhalter Partnership, an entity related through common management. The Council received \$9,600 in management fees from the Partnership. The Council paid rent to the Partnership in the amount of \$23,400 for the Buckhalter and STEPS program.

At June 30, 2004 amounts due to affiliated companies are as follows:

LACG	\$ 53,895
Buckhalter Partnership	<u>26,583</u>
Total	<u>\$ 80,478</u>

(Continued)

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Notes to Financial Statements

June 30, 2004

7. Prior Period Adjustment

Due to errors in prior periods deemed to be material, net assets at July 1, 2003 have been adjusted as follows:

	<u>Unrestricted</u>	<u>Restricted</u>
Balance, July 1, 2003, as previously reported	1,204,409	33,750
Adjustments:		
Correction of restricted fund balance	33,750	( 33,750)
Correction to record liability for compensated absences	( 17,533)	-
Correction of reserve for unemployment insurance	102,834	-
Balance, July 1, 2003 restated	\$ 1,323,460	\$ -

8. Economic Dependency

The Council received seventy three (73) percent of its program service fees from ten contracts through the State of Louisiana. The contracts are appropriated each year by federal and state governments. If budget cuts are made at the federal and/or state government level, the amount of funds the Council receives could be reduced and have an adverse impact on its operations. Management is not aware of any actions that will adversely affect the amount of funds the Council will receive in the next fiscal year.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Schedule of Federal Awards  
For the Year Ended June 30, 2004

<u>FEDERAL GRANTOR/ PROGRAM TITLE *</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PROGRAM OR AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
<u>U.S. Department of Health and Human Services</u>				
Passed through the Louisiana Department Of Health & Hospitals:				
Office of Addictive Disorders:				
Half-way House Caddo-Bossier Center	93.959	\$ 120,994	\$ 103,194	\$ 103,194
Half-way House Adolescent Center	93.959	590,972	518,960	518,960
Half-way House Buckhalter Hotel	93.959	149,500	149,500	149,500
Social Detoxification S.T.E.P.S.	93.959	140,000	140,000	140,000
Half-way House Family Success Institute	93.959	398,736	365,376	365,376
Outpatient Services Mansfield ADAC	93.959	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Subtotal CFDA# 93.959		<u>1,429,842</u>	<u>1,307,030</u>	<u>1,307,830</u>
Total for U.S. Department of Health and Human Services		<u>1,429,842</u>	<u>1,307,030</u>	<u>1,307,830</u>
<u>U.S. Small Business Administration:</u>				
Paul Coverdell Drug-Free Workplace	59.000	<u>106,220</u>	<u>106,220</u>	<u>106,220</u>
<u>U.S. Department of HUD:</u>				
Supportive Housing Program	14.218	<u>500,000</u>	<u>223,837</u>	<u>223,837</u>
Total - All Federal Awards		<u>\$2,036,062</u>	<u>\$1,637,087</u>	<u>\$ 1,637,087</u>

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Schedule of State Contracts  
For the Year Ended June 30, 2004

<u>PROGRAM TITLE</u>	<u>CONTRACT NUMBER</u>	<u>PROGRAM AWARD AMOUNT</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>
Louisiana Department Of Health & Hospitals:				
<u>Office of Addictive Disorders:</u>				
Half-way House* Caddo-Bossier Center	30630	\$ 120,994	\$ 103,194	\$ 103,194
Half-way House* Adolescent Center	30631	590,972	518,960	518,960
Outpatient Services	30634	35,000	35,000	35,000
Half-way House* Buckhalter Hotel	30640	149,500	149,500	149,500
Social Detoxification* S.T.E.P.S.	30639	140,000	140,000	140,000
Half-way House Family Success Institute*	30636	398,376	365,376	365,376
Inpatient Treatment Cavanaugh Center	32383	373,700	345,460	345,460
Inpatient Treatment Cavanaugh Center	32083	130,000	128,527	128,527
Outpatient Services* Mansfield ADAC	30644	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>
Total - Office of Addictive Disorders		<u>1,968,542</u>	<u>1,816,017</u>	<u>1,816,017</u>
<u>Office of Mental Health:</u>				
Social Services Buckhalter Hotel	31487	<u>160,000</u>	<u>146,516</u>	<u>146,516</u>
Total - All State Contracts		<u>\$2,128,542</u>	<u>\$ 1,962,533</u>	<u>\$ 1,962,533</u>

\* Indicates Federal Awards

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Corrective Action Taken on Prior Year Findings

For the Year Ended June 30, 2004

Prior Year Finding #1:

The Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. failed to comply with state law (LA R.S. 24:513) since the annual financial report was submitted to the Louisiana Legislative Auditor's Office after December 31, 2003, the six-month statutory issue date.

Status: Resolved.

Prior Year Reportable Conditions and Material Weaknesses:

- (1) Reconciliations of payroll expenses and related payroll liabilities were not performed.

Status: Resolved.

- (2) Cash accounts not reconciled on a monthly basis.

Status: Resolved, April 2004.

- (3) Financial statements not prepared and reconciled on a monthly basis.

Status: Resolved, April 2004.

- (4) Lack of segregation of duties with respect to the person making adjustments to the financial records.

Status: Resolved, April 2004.

- (5) Blank check stock is not stored in locked/secured cabinet and access to checks is not controlled; checks are not issued in sequential order; and blank checks are signed and left with accounting personnel.

Status: Resolved.

- (6) The Council's check signature policies have not been followed.

Status: Resolved.



COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Corrective Action Taken on Prior Year Findings  
(Continued)

For the Year Ended June 30, 2004

Prior Year Reportable Conditions  
and Material Weaknesses (Continued)

- (7) Payroll taxes not paid timely and payroll reports not filed timely.

Status: Resolved.

- (8) General ledger distribution codes were not readily available for application of audit procedures.

Status: Resolved.

- (9) Accounting records are not filed in a consistent manner.

Status: Resolved.



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

INDEPENDENT AUDITOR'S 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  
Council on Alcoholism and Drug Abuse  
of Northwest Louisiana, Inc.  
Shreveport, Louisiana

I have audited the financial statements of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. as of June 30, 2004, and have issued my report thereon dated November 9, 2004. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. is free of material misstatement, I 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 my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

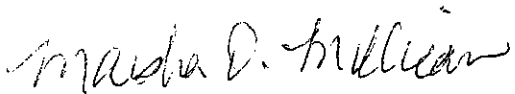
In planning and performing my audit, I considered Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, I noted matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal

810 WILKINSON  
SHREVEPORT, LA 71104-3036  
(318) 221-3881  
FAX: (318) 221-4641

control over financial reporting that, in my judgment, could adversely affect Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. These reportable conditions are described in the accompanying schedule of findings and questioned costs as Findings # 1 and #2.

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. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I consider Finding #1 to be a material weakness.

This report is intended for the information of management and federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.



Certified Public Accountant  
November 9, 2004



**Marsha O. Millican**  
**CERTIFIED PUBLIC ACCOUNTANT**

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

Board of Directors  
Council on Alcoholism and Drug Abuse  
of Northwest Louisiana, Inc.  
Shreveport, Louisiana

Compliance

I have audited the compliance of Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended June 30, 2004. Council on Alcoholism and drug Abuse of Northwest Louisiana, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Council's management. My responsibility is to express an opinion on the Council's compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that I 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 Council's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on the Council's with those requirements.

810 WILKINSON  
SHREVEPORT, LA 71104-3036  
(318) 221-3881  
FAX: (318) 221-4641

In my opinion, Council on Alcohol and Drug Abuse of Northwest Louisiana, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2004.

Internal Control Over Compliance

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

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgment, could adversely affect Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc.'s ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. The reportable condition is described in the accompanying schedule of findings as Finding #1.

My 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 on 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. However, I consider Finding #1 to be a material weaknesses.

This report is intended solely for the information of management, the Board of Directors and applicable federal and state cognizant agencies and is not intended to be, and should not be, used by anyone other than the specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

*Marta O. Melician*

Certified Public Accountant  
November 9, 2004

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Schedule of Findings

For the Year Ended June 30, 2004

Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the financial statements.
2. The auditor's report on compliance for major federal award programs expresses an unqualified opinion on all major federal programs.
3. The programs tested as major programs included:
  - 93.959      Halfway House - Adolescent Center
  - 93.959      Halfway House - Family Success Institute
4. The threshold for distinguishing Type A and B programs was \$500,000.
5. Council on Alcoholism and Drug Abuse of Northwest Louisiana, Inc. was not determined to be a low risk auditee.

FINDING/NONCOMPLIANCE

FINDING #1:

Criteria: The segregation of duties is inadequate to provide effective internal control over financial reporting and operations. During the year ended June 30, 2004, the Council's Chief Administrative Office performed many of the duties of the Council's Executive Director.

Effect: The lack of segregation of duties resulted in the following: cash accounts were not reconciled on a monthly basis, financial statements were not prepared and reconciled on a monthly basis, funds payable to an affiliated entity were deposited to the Council's bank account, unauthorized transfers of cash were made from an affiliated entity to the Council's bank account.

Recommendation: I recommend the Council segregate duties between administrative and accounting whenever possible.

COUNCIL ON ALCOHOLISM AND DRUG ABUSE  
OF NORTHWEST LOUISIANA, INC.

Schedule of Findings (Continued)

For the Year Ended June 30, 2004

FINDING # 1: (Continued)

Management's Response and Corrective Action Plan: We agree with the finding. During the year ended June 30, 2004, the Executive Director of the Council passed away. His death required the Chief Administrative Officer to perform many duties normally performed by the Executive Director.

The Council hired a new Executive Director on April 22, 2004. We have assessed the staffing of our accounting department and segregated duties as required.

As of April, 2004, we have reconciled cash accounts and prepared financial statements on a monthly basis.

We have instituted procedures to ensure that funds belonging to affiliated entities are deposited in the proper bank accounts and no unauthorized transfers are made from affiliated accounts.

FINDING #2:

Criteria: The Council has rent and management fee arrangements with affiliated companies. None of these arrangements are in writing.

Effect: The lack of written documentation leaves these arrangement subject to interpretation by both parties.

Recommendation: I recommend the Council obtain written agreements on all lease and management fee arrangement.

Management's Response and Corrective Action Plan: We agree with the finding. We will obtain written agreements on all lease and management fee arrangements.