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**CAPITAL AREA LEGAL SERVICES CORPORATION**  
**Baton Rouge, Louisiana**

**Financial Statements**

**December 31, 2000**

Under the 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 05/09/01

## TABLE OF CONTENTS

### Capital Area Legal Services Corporation Baton Rouge, Louisiana

December 31, 2000

Page No.

1.	Independent Auditor's Report . . . . .	1
2.	Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards . . . . .	3
3.	Report on Compliance With Requirements Applicable to Each Major Program and On Internal Control Over Compliance in Accordance With OMB Circular A-133 . . . . .	5
4.	BASIC FINANCIAL STATEMENTS:	
	Statement of Financial Position . . . . .	8
	Statement of Activities . . . . .	9
	Statement of Functional Expenses . . . . .	11
	Statement of Cash Flows . . . . .	13
	Notes to Financial Statements . . . . .	14
5.	SUPPLEMENTARY FINANCIAL INFORMATION - SCHEDULES:	
	Schedule 1 - Schedule of Support, Revenues, Expenses and Changes in Net Assets - Legal Services Corporation Grant . . . . .	37
	Schedule 2 - Schedule of Support, Revenues, Expenses and Changes in Net Assets - IOLTA Grant . . . . .	38
	Schedule 3 - Schedule of Subrecipient Cash Receipts and Disbursements . . . . .	39
	Schedule 4 - Schedule of Expenditures of Federal Awards . . . . .	40

TABLE OF CONTENTS - (continued)

6.	SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS . . . . .	41
7.	SCHEDULE OF FINDINGS AND QUESTIONED COSTS . . . . .	43
8.	MANAGEMENT LETTER . . . . .	47
9.	MANAGEMENT'S CORRECTIVE ACTION PLAN . . . . .	53

# NEIL G. FERRARI

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana.

I have audited the accompanying statement of financial position of Capital Area Legal Services Corporation (a nonprofit corporation) as of December 31, 2000, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of Capital Area Legal Services Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit. The prior year summarized comparative information has been derived from Capital Area Legal Service Corporation's 1999 financial statements and, in my report dated March 22, 2000, I expressed an unqualified opinion on those financial statements.

I conducted my 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. Those standards 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 financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. 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 Capital Area Legal Services Corporation as of December 31, 2000, 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*, I have also issued a report dated March 22, 2001, on my consideration of Capital Area Legal Services Corporation's internal control over financial reporting and on 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.

My audit was performed for the purpose of forming an opinion on the basic financial statements of Capital Area Legal Services Corporation taken as a whole. The accompanying Schedules 1, 2, and 3, listed in the table of contents as supplementary financial information, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, Schedule 4, is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is also not a required part of the basic financial statements. The supplementary financial information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Nile B. Fenari, CPA*

Baton Rouge, Louisiana  
March 22, 2001.



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## 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,  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana.

I have audited the financial statements of the Capital Area Legal Services Corporation (a nonprofit corporation), as of and for the year ended December 31, 2000, and have issued my report thereon dated March 22, 2001. I conducted my 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 Capital Area Legal Services Corporation's financial statements are 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*. However, I noted certain immaterial instances of noncompliance, which I have reported to the management of Capital Area Legal Services Corporation in a separate letter dated March 22, 2001.

## Internal Control Over Financial Reporting

In planning and performing my audit, I considered the Capital Area Legal Services Corporation'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 certain 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 control over financial reporting that, in my judgement, could adversely affect Capital Area Legal Service Corporation'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 IC-1 and IC-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 that might be material reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe that none of the reportable conditions described above is a material weakness. I also noted other matters involving the internal control over financial reporting, which I have reported to the management of Capital Area Legal Services Corporation in a separate letter dated March 22, 2001.

This report is intended solely for the information of Capital Area Legal Services Corporation's budget, audit, and finance committee, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Neil H. Fermani, CPA*

Baton Rouge, Louisiana,  
March 22, 2001.

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

To the Board of Directors,  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana.

### Compliance

I have audited the compliance of the Capital Area Legal Services Corporation (a nonprofit organization), with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" and the "Compliance Supplement for Audits of LSC Recipients" that are applicable to each of its major federal programs for the year ended December 31, 2000. The Capital Area Legal Services Corporation'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 Capital Area Legal Services Corporation's management. My responsibility is to express an opinion on the Capital Area Legal Services Corporation's compliance based on my audit.

I conducted my 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; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations"; the "LSC Audit Guide for Recipients and Auditors;" and the "Compliance Supplement for Audits of LSC Recipients." *Government Auditing 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 Capital Area Legal Services Corporation'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 of the Capital Area Legal Services Corporation's compliance with those requirements.



In my opinion, the Capital Area Legal Services Corporation complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2000.

#### Internal Control Over Compliance

The management of the Capital Area Legal Services Corporation is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit, I considered the Capital Area Legal Services Corporation'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 the internal control over compliance in accordance with OMB Circular A-133.

I noted certain matters involving the internal control over compliance 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 control over compliance that, in my judgement, could adversely affect Capital Area Legal Services Corporation's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items IC-1 and IC-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 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. My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, I believe none of the reportable conditions described above is a material weakness.

This report is intended solely for the information of Capital Area Legal Services Corporation's budget, audit, and finance committee, management, federal awarding agencies and pass-through entities, and the Legislative Auditor of the State of Louisiana and is not intended to be and should not be used by anyone other than these specified parties.

*Mel B. Fumari, CPA*

Baton Rouge, Louisiana,  
March 22, 2001.

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**STATEMENT OF FINANCIAL POSITION**

December 31, 2000  
(With summarized financial information as of December 31, 1999)

	2000	1999
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash and cash equivalents	\$340,444	\$293,793
Grants and contracts receivable	27,755	15,898
Other receivables	0	65
Travel advance	0	4,354
Prepaid expenses	14,134	10,278
Client case costs advanced	0	780
Unconditional promises to give	7,950	13,200
Cash - client escrow funds	39,427	41,085
<b>Total current assets</b>	<b>429,710</b>	<b>379,453</b>
<b>PROPERTY AND EQUIPMENT, net of depreciation</b>	<b>113,591</b>	<b>55,072</b>
<b>OTHER</b>		
Unconditional promises to give	0	7,950
Utility deposits	280	130
Cash - client escrow funds	20,714	20,714
<b>Total other assets</b>	<b>20,994</b>	<b>28,794</b>
<b>Total assets</b>	<b>\$564,295</b>	<b>\$463,319</b>
<b>LIABILITIES AND NET ASSETS</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$10,938	\$13,635
Accrued payroll taxes, related expenses, and withholdings	6,808	2,168
Accrued salaries	5,975	0
Line of Credit - Hancock Bank	55,000	0
Unearned LSC support	232,770	232,770
Unearned revenue - Terrebone COA	437	0
Unearned EPS revenue	18,223	14,895
Unearned revenue - State of Louisiana grant	5,793	0
Current maturities of capital lease obligation	7,351	6,992
Current maturities of long-term debt	5,227	0
Accrued annual leave	37,080	37,080
Client trust funds deposited	39,498	41,158
<b>Total current liabilities</b>	<b>425,100</b>	<b>348,698</b>
<b>LONG-TERM DEBT, less current maturities</b>	<b>70,339</b>	<b>0</b>
<b>OBLIGATION UNDER CAPITAL LEASE, less current portion</b>	<b>0</b>	<b>7,353</b>
<b>CLIENT TRUST FUNDS DEPOSITED</b>	<b>20,730</b>	<b>20,730</b>
<b>Total liabilities</b>	<b>516,169</b>	<b>376,781</b>
<b>NET ASSETS</b>		
Unrestricted:		
Designated by the Board of Directors for client case costs	3,161	4,717
Undesignated	37,015	55,512
<b>Total unrestricted net assets</b>	<b>40,176</b>	<b>60,229</b>
<b>Temporarily restricted</b>	<b>7,950</b>	<b>26,309</b>
<b>Total net assets</b>	<b>48,126</b>	<b>86,538</b>
<b>Total liabilities and net assets</b>	<b>\$564,295</b>	<b>\$463,319</b>

See notes to financial statements.

CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES

For the Year Ended December 31, 2000  
(With summarized financial information for the year ended December 31, 1999)

	Unrestricted	Temporarily Restricted		2000	1999
		LSC	Non - LSC		
REVENUES AND OTHER SUPPORT					
Grants :					
Legal Services Corporation (LSC)	\$0	\$1,396,580	\$0	\$1,396,580	\$1,398,480
Louisiana Bar Foundation (LBF):					
IOLTA	0	0	83,033	83,033	83,033
Access to Justice	0	0	0	0	3,710
Local Bar Associations - IOLTA	0	0	0	0	88,500
Capital Area Agency on Aging - Elderly Protective Services	148,430	0	0	148,430	126,757
State of Louisiana	27,456	0	0	27,456	66,752
City of Baton Rouge	42,210	0	0	42,210	36,700
Ascension Parish Council	0	0	12,400	12,400	12,400
Assumption Parish Police Jury	0	0	1,400	1,400	0
Iberville Parish Police Jury	0	0	5,800	5,800	5,800
Pointe Coupee Parish Government	0	0	5,800	5,800	5,800
St. James Parish Council	0	0	5,800	5,800	5,800
St. John the Baptist Parish Council	0	0	7,800	7,800	6,800
Terrebonne Parish Consolidated Government	0	0	12,600	12,600	14,600
West Feliciana Parish Police Jury	0	0	6,030	6,030	11,890
Loyola School of Law	0	0	0	0	3,000
Public support :					
Imperial Foods	100,000	0	0	100,000	0
Entergy Corporation	25,000	0	0	25,000	25,000
Lafourche Parish Bar Association	1,500	0	0	1,500	0
Program service fees :					
Department of Social Services	26,654	0	0	26,654	0
Governor's Office of Elderly Affairs	1,800	0	0	1,800	0
Various Councils on Aging	14,827	0	0	14,827	15,264
Capital Area Agency on Aging	13,274	0	0	13,274	14,907
Interest income	1,545	7,027	9	8,581	6,139
Other revenue :					
Distributions from the 19th Judicial District Expense Fund	8,250	0	0	8,250	13,228
Distributions from the Baton Rouge City Court Pro Bono Fund	20,211	0	0	20,211	24,431
JTPA reimbursements	0	2,055	0	2,055	0
Client Council reimbursements	4,337	0	0	4,337	0
Miscellaneous	175	35	0	210	320
Vending machine commissions	167	0	0	167	130
Donated services	332,215	0	0	332,215	357,308
Net assets released from restrictions :					
Satisfaction of program restrictions:					
LSC	1,405,697	(1,405,697)	0	(1,405,697)	0
LBF	83,042	0	(83,042)	(83,042)	0
Local parish governments	62,789	0	(62,789)	(62,789)	0
Satisfaction of time restrictions	13,200	0	(13,200)	(13,200)	0
Total revenues and other support	\$2,332,779	\$0	(\$18,359)	\$2,314,420	\$2,326,749

(Statement of Activities is continued on the next page)

See notes to financial statements.



CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES  
(CONTINUED)

For the Year Ended December 31, 2000  
(With summarized financial information for the year ended December 31, 1999)

	Unrestricted	LSC	Temporarily Restricted		Total	2000	1999
			Non - LSC				
<b>EXPENSES</b>							
Program Services :							
Legal assistance	\$1,763,908	\$0	\$0	\$0	\$0	\$1,763,908	\$1,820,718
Elderly Protective Services	148,838	0	0	0	0	148,838	127,441
Supporting Services :							
Management and general	431,503	0	0	0	0	431,503	399,052
Fund-raising	8,583	0	0	0	0	8,583	0
Total expenses	2,352,832	0	0	0	0	2,352,832	2,347,211
<b>INCREASE (DECREASE) IN NET ASSETS</b>	(20,053)	0	(18,359)	(18,359)	(18,359)	(38,412)	(20,462)
<b>NET ASSETS AT BEGINNING OF YEAR</b>	60,229	0	26,309	26,309	26,309	86,538	107,000
<b>NET ASSETS AT END OF YEAR</b>	\$40,176	\$0	\$7,950	\$7,950	\$7,950	\$48,126	\$86,538

See notes to financial statements.

**CAPITAL AREA LEGAL SERVICES CORPORATION**  
**BATON ROUGE, LOUISIANA**

**STATEMENT OF FUNCTIONAL EXPENSES**

For the year ended December 31, 2000  
(With summarized financial information for the year ended December 31, 1999)

	Program Services		Supporting Services		
	Legal Assistance	Elderly Protective Services	Management and General	Fundraising	
<b>PERSONNEL EXPENSES</b>					
Salaries and wages:					
Attorney	\$327,518	\$7,394	\$105,818	\$3,706	\$453,246
Paralegal	136,883	0	0	0	115,988
Other staff	282,699	91,611	155,736	0	564,194
Employee benefits, including payroll taxes	194,406	20,795	48,318	551	231,356
Total personnel expenses	941,506	119,800	309,872	4,257	1,364,784
<b>OPERATING AND OTHER EXPENSES</b>					
Space and occupancy:					
Building rental	60,500	4,800	9,314	0	74,614
Utilities	19,947	0	3,089	0	23,036
Janitorial and building maintenance	11,406	0	2,188	0	13,594
Equipment rental	6,763	0	135	0	6,898
Equipment maintenance	38,398	3,344	3,048	0	44,790
Office expenses:					
Consumables	24,213	3,028	3,027	0	30,268
Postage	9,110	300	1,056	0	10,466
Printing	893	0	892	0	1,785
Advertising	0	0	1,260	0	1,260
Legal and paralegal consultants	62,837	0	392	0	63,229
Telephone	42,691	3,421	8,137	0	54,249
Travel	26,910	4,177	8,068	0	39,155
Subrecipient awards	38,000	0	0	0	38,000
Consultants and payroll services	12,233	587	19,955	0	32,775
Training	22,031	1,667	7,955	0	31,653
Depreciation and amortization	24,144	409	4,006	0	28,559
Insurance	18,957	1,290	5,060	0	25,307
Audit fees	2,020	1,756	18,644	0	22,420
Library additions and subscription renewals	18,864	0	0	0	18,864
Staff parking	12,854	996	3,000	0	16,850
Equipment purchases under capitalization limit	5,857	3,188	1,034	0	10,079
Dues and memberships	2,825	0	6,424	0	9,249
Case costs and filing fees	8,615	0	0	0	8,615
Interest	3,657	0	3,661	0	7,318

(Statement of Functional Expenses is continued on the next page)  
See notes to financial statements.

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**STATEMENT OF FUNCTIONAL EXPENSES  
(CONTINUED)**

For the year ended December 31, 2000  
(With summarized financial information for the year ended December 31, 1999)

	Program Services		Supporting Services		
	Legal Assistance	Elderly Protective Services	Management and General	Fundraising	
					2000
					1999
<b>OPERATING AND OTHER EXPENSES</b>					
Access to Justice	\$4,383	\$0	\$0	\$0	\$4,383
Promotion and marketing	0	0	0	3,500	3,500
Miscellaneous	66	0	3,874	0	3,940
Meetings	0	0	3,088	826	3,914
Bank charges	9	0	1,683	0	1,692
Litigation	1,072	75	0	0	1,147
Property taxes	0	0	373	0	373
	<u>479,255</u>	<u>29,038</u>	<u>119,363</u>	<u>4,326</u>	<u>631,982</u>
Total operating and other expenses					611,919
<b>DONATED SERVICES</b>					
Attorney and paralegal services	332,215	0	0	0	332,215
Rent	10,932	0	2,268	0	13,200
	<u>343,147</u>	<u>0</u>	<u>2,268</u>	<u>0</u>	<u>345,415</u>
Total donated services					370,508
Total expenses	<u>\$1,763,908</u>	<u>\$148,838</u>	<u>\$431,503</u>	<u>\$8,583</u>	<u>\$2,352,832</u>
					<u>\$2,347,211</u>

See notes to financial statements.

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2000  
(With summarized financial information as of December 31, 1999)

	<u>2000</u>	<u>1999</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Increase (decrease) in net assets	(\$38,412)	(\$20,462)
Adjustments to reconcile change in net assets to cash provided (used) by operating activities:		
Depreciation and amortization	28,559	32,746
Decrease in unconditional promises to give	13,200	13,200
(Increase) decrease in operating assets:		
Receivables	(11,856)	(7,130)
Other receivables	65	618
Travel advances	4,354	(26)
Prepaid expenses	(3,856)	(458)
Client case costs advanced	780	70
Client escrow funds	1,658	(4,973)
Utility deposits	(150)	100
(Decrease) increase in operating liabilities :		
Accounts payable	(2,697)	5,002
Accrued payroll taxes, related expenses, and withholdings	4,640	(124)
Accrued salaries	5,975	0
Unearned support and revenue	9,558	242,822
Client trust funds deposited	(1,660)	5,011
Net cash provided from (used by) operating activities	<u>10,158</u>	<u>266,396</u>
<b>CASH FLOWS FROM (USED BY) INVESTING ACTIVITIES</b>		
Purchase of building	(79,512)	0
Purchases of furniture and equipment	(7,566)	(9,956)
Net cash provided from (used by) investing activities	<u>(87,078)</u>	<u>(9,956)</u>
<b>CASH FLOWS FROM (USED BY) FINANCING ACTIVITIES</b>		
Draws on line of credit	65,000	0
Payments on line of credit	(10,000)	0
Proceeds from long-term debt	78,000	0
Principal payments on long-term debt	(2,434)	0
Principal payments on capital lease obligation	(6,995)	(6,057)
Net cash provided from (used by) financing activities	<u>123,571</u>	<u>(6,057)</u>
<b>INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u>46,651</u>	<u>250,383</u>
<b>CASH AND CASH EQUIVALENTS</b>		
Beginning of year	<u>293,793</u>	<u>43,410</u>
End of year	<u><u>\$340,444</u></u>	<u><u>\$293,793</u></u>
<b>SUPPLEMENTAL DISCLOSURES :</b>		
Interest expense paid	\$3,914	\$2,555
Interest income received	\$8,581	\$6,139
<b>NONCASH TRANSACTIONS:</b>		
Purchase of building	79,512	0
Cash payment of closing costs	(1,512)	0
Amount financed	<u><u>\$78,000</u></u>	<u><u>\$0</u></u>

See notes to financial statements.



## NOTES TO FINANCIAL STATEMENTS

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

December 31, 2000

### Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Organization

Capital Area Legal Services Corporation (CALSC) is a private, non-membership, nonprofit corporation organized for the purpose of providing legal assistance in noncriminal proceedings to persons financially unable to afford legal assistance or to hire a personal attorney. CALSC is primarily funded through a grant from the Legal Services Corporation (LSC), a nonprofit corporation established by Congress to administer a national legal assistance program. CALSC also receives funds from other "non-LSC" sources that allows it to expand its basic legal assistance program and provide elderly protective services. See Note 5 to these financial statements for more detailed information about CALSC's activities.

#### b. Basis of Accounting and Presentation

The financial statements have been prepared on an accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Non-Profit Organizations." Under SFAS No. 117, Capital Area Legal Services 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.

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

b. Basis of Accounting and Presentation -  
(continued)

CALSC has also followed the "Accounting Guide For LSC Recipients" issued by Legal Services Corporation on August 14, 1997, when preparing these financial statements.

c. Recognition of LSC Grant Support and Net Assets

CALSC recognizes grant funds from LSC as a contribution with donor-imposed restrictions on a straight-line basis over the grant period. Funds remaining unexpended at the end of the year are reflected as temporarily restricted net assets provided such amount is within 10% of the annualized LSC support. In accordance with LSC regulations, CALSC may retain net assets equal to 10% of its annualized LSC support for use in future periods without prior LSC approval. LSC may, at its discretion, request reimbursement for expenses or return of funds, or both, as a result of noncompliance by CALSC with the terms of its grant award. In addition, all unexpended funds are to be returned to LSC if CALSC terminates its LSC activities.

d. Recognition of Non-LSC Restricted and Unrestricted Support and Revenue

All donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends, or when the purpose of the restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions. This method of revenue recognition was used for support received from the Louisiana Bar Foundation (LBF) and various local governments.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)d. Recognition of Non-LSC Restricted and Unrestricted Support and Revenue - (continued)

CALSC also received program service fees and grant revenues in exchange for services provided. Program services fees are earned based upon providing legal services at pre-established rates and are recognized as unrestricted revenue in the period when the units or services were provided.

Certain grant revenues are recognized as unrestricted revenue when allowable costs are incurred to provide the services as provided for under the terms of the grant agreement. This method of revenue recognition was used for grants received from the Capital Area Agency on Aging for Elderly Protective Services(EPS) and the State of Louisiana.

Other grant revenues and public support are unrestricted in nature because they are not connected with the incurrence of specific costs or the passage of time. Revenues from these types of grants are recognized upon their receipt if the amounts are not determinable. However, if an amount can be determined and the period for which it is intended is identified, CALSC will accrue the revenue in the current year even if the funds are received in a subsequent year. This method of revenue recognition was used for money received from the City of Baton Rouge, Entergy Corporation, Imperial Foods, the Lafourche Parish Bar Association, and distributions received from the 19<sup>th</sup> Judicial District Court Expense Fund and the Baton Rouge City Court Pro Bono Fund.

e. Property and Equipment

Property and equipment purchases are recorded at cost. Property and equipment acquired with LSC funds are considered to be owned by CALSC while used in the program or in future authorized programs. LSC retains a reversionary interest in any assets acquired with LSC funds as well as the right to determine the use of any proceeds from the sale of such assets.



Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

e. Property and Equipment - (continued)

Beginning August 14, 1997, (the effective date of the revised LSC accounting guide) CALSC follows the practice of capitalizing all expenditures for property and equipment in excess of \$1,000. Before that date, CALSC's capitalization threshold was \$100.

Depreciation of property and equipment is computed on a straight-line basis over the assets' estimated useful lives which range from five to ten years. Leasehold improvements are amortized on a straight-line basis over five years. Depreciation and amortization expenses have been presented together as a single line item in the Statement of Cash Flows.

Donations of property and equipment are recorded as support at their estimated fair values at the date of donation. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, CALSC reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. CALSC reclassifies temporarily restricted assets to unrestricted net assets at that time. CALSC did not receive any donated fixed assets in the current or previous years.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)f. Law Library

CALSC capitalized the initial cost of books, reference materials and multiple-volume sets of law books. Prior to 1997, LSC guidance stated that the initial cost of the law library should not be depreciated. However, the current "Accounting Guide for LSC Recipients" requires the law library to be depreciated over its useful life. When LSC accounting policy changed in 1997, CALSC management estimated that the remaining useful life of the law library was five years and began depreciating the cost of the law library on a straight-line basis effective January 1, 1997.

The costs of maintaining reference materials on a current basis are expensed in the period incurred. LSC retains a reversionary interest in the law library.

g. Donated Services

Donated services are recognized as contributions in accordance with SFAS No. 116, *Accounting for Contributions Received and Contributions Made*, if the services (a) create or enhance nonfinancial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by CALSC. During the fiscal year, CALSC received donations which met the criteria for recognition as prescribed by SFAS No. 116. Offsetting expenses, equal to the revenues for the donated services, have been recorded. As a result, there will not be any effect on CALSC's current year net income or its net assets. (See Note 21 to these financial statements.)

h. Statement of Cash Flows

For purposes of the Statement of Cash Flows, CALSC considers all highly liquid investments with an initial maturity of three months or less to be cash equivalents. Client funds escrowed to pay for case expenses are not treated as cash for purposes of the Statement of Cash Flows.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)i. Expense Allocation - Statement of Activities  
and Statement of Functional Expenses

The cost of providing various programs and other activities have been summarized on a functional basis in the Statement of Activities and in the Statement of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefitted. In most cases, these costs are identifiable based on the nature of the expense and the job description of the person performing the function. Expenses specifically identifiable to a function are charged directly to that function. Management and general expenses include those expenses that are not directly identifiable with any specific function but provide for the overall support and direction of CALSC.

There are some cases where the person performing the duty is involved in both program activities and management and general type functions. In those cases, time sheets are used to allocate personnel and fringe benefit costs to various functions. There are also cases where operational expenses benefit both program activities and general operations. In those cases management has allocated costs as follows:

- ◆ Space and occupancy costs are allocated on the basis of square footage.
- ◆ Depreciation is allocated on the basis of usage of the furniture and equipment.
- ◆ Management has made percentage estimates of consumption or usage by personnel classified as program related versus administrative for expenses, such as; office consumables; equipment maintenance, repairs and rental; telephone; insurance; and other normal operating costs.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)i. Expense Allocation - Statement of Activities and Statement of Functional Expenses -  
(continued)

Expenses which are incurred to carry out the objectives of the grant which paid them are charged directly to that grant. Expenses that are not directly chargeable to a grant are allocated using budgets, formulas, and estimates by management. Another method of allocating costs is using a direct labor-hour ratio. This method is used to allocate costs to the private attorney involvement (PAI) program within the grant provided by LSC.

There are some cases where direct costs relating to a non-LSC grant may exceed the total grant award. In those cases any excess costs that were initially allocated to the non-LSC grant are reclassified to the LSC grant either as basic costs or PAI costs. CALSC is able to do this, in certain cases, because the nature of the costs is such that they are also allowable costs under the LSC grant award.

j. Income Taxes

CALSC is exempt from corporate income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, CALSC qualifies for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified by the Internal Revenue Service as an entity which is not a private foundation under section 509(a)(2).

k. Management's 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 may differ from those estimates. Significant estimates were made during the year by management which might affect these financial statements as follows:



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

k. Management's Use of Estimates - (continued)

- ◆ Final outcome of lawsuits involving CALSC as the defendant;
- ◆ Allocations of certain operating costs between program activities and management and general functions; and,
- ◆ Depreciable lives of fixed assets.

l. Restrictions on Cash and Cash Equivalents

There are restrictions on how CALSC can use some of the cash it receives. This is particularly true for funds received from LSC, the Louisiana Bar Foundation (IOLTA Program), and various parish governments. LSC and LBF require their funds to be deposited in separate bank accounts. CALSC has complied by depositing LSC funds in Liberty Bank and LBF funds into Bank One. As funds are needed to pay expenses relating to these programs, CALSC transfers the money from the separate accounts to a general operating account from which it pays its bills. As of December 31, 2000, CALSC had spent all funds received from LBF, LSC, and parish governments under their awards for the year 2000.

Client Trust funds are also restricted and have been deposited into separate bank accounts. (See Note 6 to these financial statements.)

m. Compensated Absences

Full time employees earn vacation leave beginning with the first month of employment at the rate of ten hours per month. Employees with three to five years of service earn 12 hours per month and employees with five years of service or more earn 14 hours of vacation leave per month. Employees are allowed to carry over up to 80 hours of vacation leave to the following year, and can carry over additional hours with the written approval of the executive director. Payment for unused vacation leave is made by CALSC upon an employee's job termination for any reason.



Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES -  
(continued)

m. Compensated Absences - (continued)

The liability for accumulated unpaid vacation is determined by using the number of vested vacation hours for each employee multiplied by the employee's current wage rate at the end of the year. An amount is added to this total for social security and medicare taxes.

CALSC's sick leave policy does not provide for the vesting of sick leave whereby an employee could be entitled to payment of any unused portion upon termination.

n. Designations of Net Assets

Designations are voluntary board-approved segregations of unrestricted net assets for specific purposes, projects, or investments. Designations may be reversed by the board of directors at any time. Accordingly, they are not considered restricted.

Note 2 - COMPARATIVE FINANCIAL INFORMATION

The financial statements include certain summarized comparative information for the year 1999 in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with CALSC's financial statements for the year ended December 31, 1999, from which the summarized information was derived.

Note 3 - UNCONDITIONAL PROMISES TO GIVE

Unconditional promises to give of \$7,950 at December 31, 2000, represent receivables relating to the rent differentials on the leases of the Baton Rouge and Donaldsonville offices. The rent differentials are the differences in what the lessors and CALSC have agreed is the fair market value and what is actually being charged CALSC to rent these offices each month over the terms of the leases. The leases for these two offices will end in 2001. Accordingly, the entire balance of \$7,950 will satisfy its time restriction in 2001. (See Note 21 to these financial statements.)

GRANT SUPPORT AND NATURE OF ACTIVITIES

CALSC is funded primarily through a grant from the Legal Services Corporation. The LSC grant funds are restricted for purposes authorized under the LSC Act of 1974, as amended. The primary purpose of the LSC grant is to provide legal assistance to poor people in designated parishes within the State of Louisiana.

The LSC grant activity for 2000 was as follows:

LSC Recipient No. 619010  
LSC Grant Action No. 2000001

LSC Basic Grant Award	\$1,396,580
	=====

Funds provided by LSC are recorded as revenue by CALSC as received. LSC does not place any restrictions requiring expenses to be incurred before revenue recognition occurs.

During 2000 CALSC received support in the form of grants and contracts from sources other than LSC. Here below is a description of the more significant funds received.

- ◆ The Louisiana Bar Foundation(LBF) provided \$83,033 of IOLTA funds to pay for costs associated with expanding legal services to poor people in non-urban areas around Baton Rouge, Louisiana.
- ◆ The Capital Area Agency on Aging - District II, Inc. (CAAA) contracted with CALSC to provide elderly protective services(EPS), which consist primarily of follow-up services in cases where abusive situations have been reported, to people age 60 or older in Baton Rouge and 7 surrounding parishes. The CAAA contracts operate on a June 30 year end. The contract amounts for the years ended June 30, 2001 and 2000 were \$147,620 and \$147,620, respectively.
- ◆ Eight different local governments provided a combined total of \$98,840 of support to subsidize CALSC's costs of providing legal services to poor people in their respective parishes.

GRANT SUPPORT AND NATURE OF ACTIVITIES - (continued)

- ◆ Entergy Corporation provided a \$25,000 unrestricted grant to CALSC to enable CALSC to operate its basic programs including its efforts to educate its client base about deregulation changes occurring in the utility industry and the effects of these changes upon consumers, particularly poor people.
- ◆ The State of Louisiana provided \$50,000 to help CALSC maintain, upgrade, and acquire computer equipment and software in an effort to unify and improve the telephone intake/case management system in CALSC's service area. As of December 31, 2000, CALSC had expended \$44,207 of the funds relating to this project.
- ◆ The State of Louisiana, Department of Social Services, contracted with CALSC to provide professional legal services to persons seeking to establish specific visitation orders to see their children. CALSC was paid \$125 per hour not to exceed \$500 per case for providing this service. Certain out-of-pocket expenses were also allowed as recoverable costs. Program service fees earned from this contract totaled \$26,654 for 2000.

The requirements of certain grants and contracts require that any funds not spent by CALSC for allowable program costs must be returned to the grantor unless a special waiver is obtained. CALSC did not spend all of its EPS revenue for the grant years ended June 30, 2000, 1999, and 1998. Accordingly, unearned revenues of \$18,223 relating to the EPS grants have been presented as a current liability in the Statement of Financial Position.

Note 5 - PROPERTY AND EQUIPMENT

The following is an analysis of property and equipment as of December 31, 2000:

<u>Asset Type and Related Accumulated Depreciation</u>	<u>Acquired With Funds From</u>			<u>Totals</u>
	<u>LSC</u>	<u>EPS</u>	<u>Other Sources</u>	
Building	\$ -	\$ -	\$ 79,512	\$ 79,512
Accumulated depreciation			(1,160)	(1,160)
Net book value	-	-	78,352	78,352
Furniture and equipment	241,011	10,645	15,049	266,705
Accumulated depreciation	(228,073)	(9,470)	(1,635)	(239,178)
Net Book Value	12,938	1,175	13,414	27,527
Leasehold improvements	633	-	-	633
Accumulated amortization	(633)	-	-	(633)
Net book value	-	-	-	-
Law Library	38,557	-	-	38,557
Accumulated depreciation	(30,845)	-	-	(30,845)
Net book value	7,712	-	-	7,712
Totals	\$ 20,650	\$ 1,175	\$ 91,766	\$113,591
	=====	=====	=====	=====

The following is an analysis of property and equipment as of December 31, 1999:

<u>Asset Type and Related Accumulated Depreciation</u>	<u>Acquired With Funds From</u>			<u>Totals</u>
	<u>LSC</u>	<u>EPS</u>	<u>Other Sources</u>	
Furniture and equipment	\$265,406	\$ 9,283	\$ 8,845	\$ 283,534
Accumulated depreciation	(234,390)	(9,062)	(431)	(243,883)
Net book value	31,016	221	8,414	39,651
Leasehold improvements	633	-	-	633
Accumulated amortization	(633)	-	-	(633)
Net book value	-	-	-	-
Law Library	38,557	-	-	38,557
Accumulated depreciation	(23,136)	-	-	(23,136)
Net book value	15,421	-	-	15,421
Total net book value	\$ 46,437	\$ 221	\$ 8,414	\$ 55,072
	=====	=====	=====	=====



Note 5 - PROPERTY AND EQUIPMENT - (continued)

The total net book value of property and equipment is included as a component of the unrestricted net asset total.

As of December 31, 2000, property and equipment on the balance sheet includes \$30,547 for a phone system which is being acquired by CALSC under a capital lease agreement. Amortization expense for the phone system was \$6,109 for 2000. This amount has been included in the total depreciation and amortization expense of \$28,559 on the financial statements. The accumulated amortization for this asset was \$24,947 as of December 31, 2000.

Note 6 - CLIENT TRUST FUNDS

CALSC maintains two separate interest-bearing bank accounts for the receiving and disbursing of funds on behalf of its clients. These funds are restricted as to use. They can only be used to pay for case costs relating to the specific case for which the client gave CALSC the money.

One of these accounts is considered active and CALSC has presented this cash as a current asset. The other account has been inactive for many years, accordingly, it has been presented as an other asset with a corresponding credit to long-term liabilities on the Statement of Financial Position.

Note 7 - LEASE COMMITMENTS

CALSC leases office space for its operations in Baton Rouge, Donaldsonville, Houma and Gonzales. The lease agreements provide that, in the event funding from LSC is eliminated or severely impaired, CALSC may cancel the leases upon providing written notice. The Baton Rouge office lease is cancelable with a 60 day written notice and the Donaldsonville lease is cancelable with a 30 day notice.

Lease expense, excluding the in-kind rent reductions, for office rentals totaled \$73,400 during the year.

CALSC's monthly rent for its Baton Rouge office is \$3,750 for the lease term of August 1, 1996 to July 31, 2001. Management is in the process of negotiating an extension of this lease at least through December 31, 2001.

LEASE COMMITMENTS - (continued)

The monthly rent for the Houma office is \$1,050. The lease renews automatically on a calendar year basis for 1 additional year. CALSC has the option to cancel the lease upon thirty days notice to the lessor in the event CALSC's funds are decreased by LSC.

The monthly rent for the Donaldsonville office is \$500. CALSC has the option to renew its lease of the Donaldsonville office for five additional years at the end of the initial lease period (December 31, 2001). Notice of CALSC's exercise of this renewal option must be done within 60 days prior to December 31, 2001. Terms of the lease extension will be negotiated at that time. During 2000, CALSC purchased a building in Donaldsonville that it plans to renovate and use as its future office there. Accordingly, it is unlikely management will renew the lease on the current office in Donaldsonville.

The Gonzales office was leased from May 1, 1999 to August 31, 2000 at a monthly rate of \$750. CALSC renewed this lease for an additional term of September 1, 2000 to September 30, 2001, at \$950 per month. Under the terms of the lease, CALSC is responsible for paying utilities and insuring the premises against liability and property damages. This lease may be renewed again by CALSC no later than 90 days before the expiration date under the same terms, with the new rate to be negotiated and agreed to by mutual consent.

In December, 1996, CALSC entered into a lease purchase agreement for a telephone system consisting of the following terms:

<u>Payment</u>	<u>Months</u>	<u>Lease Term</u>	<u>Interest Rate</u>
\$717.65	60	2/16/96 - 12/16/01	14.43%

CALSC will make its final payment under this lease in 2001. Accordingly, the remaining future minimum payments under this capital lease are as follows: at December 31:

Year ending 12/31/01	\$ 7,893
Less imputed interest	<u>(542)</u>
Present value of net minimum lease payments	\$ 7,351
	=====

Note 8 -

NOTE PAYABLE - REVOLVING LINE OF CREDIT

CALSC has a \$100,000 note payable to Hancock Bank that CALSC uses as a revolving line of credit. As of December 31, 2000 CALSC had drawn \$55,000 against the line of credit. From May 30 to December 5, 2000 advances on the line of credit carried an interest rate of 6.875% per annum. Beginning December 8, 2000, advances carried an interest rate of 9.5% per annum. The initial note payable had a term of May 30 to December 5, 2000. It was renewed December 8, 2000 and matures March 8, 2001. At December 31, 2000, the credit line was secured by a separate demand deposit account with \$50,000 at Hancock Bank.

Note 9 -

LONG-TERM DEBT

At December 31, 2000, CALSC had a mortgage payable to Hibernia Bank totaling \$75,566. The mortgage is payable in monthly installments of \$1,015 and is secured by the Donaldsonville building. Interest accrues at 9.50% per annum. Maturities by year are as follows:

Fiscal year ending  
December 31

2001	\$ 5,227
2002	5,746
2003	6,317
2004	6,943
2005	7,633
thereafter	<u>43,700</u>
	\$75,566
	=====

Note 10 -

PRIVATE ATTORNEY INVOLVEMENT

CALSC is required to devote at least 12 1/2% of its basic LSC grant for private attorney involvement (PAI). CALSC charges the salaries and related benefits of individuals working directly for PAI and amounts paid to private attorneys to the PAI program. Also, other costs directly related to the program, such as; PAI staff training and travel, are charged directly to the program.



Note 10 - PRIVATE ATTORNEY INVOLVEMENT - (continued)

Costs that are indirectly related are allocated to the program using a ratio of PAI direct labor hours for the period divided by total labor hours for the period times the total common costs. The indirect cost allocation to this program is done quarterly. Approximately 10% of all indirect costs incurred during the year were allocated to PAI.

CALSC has an agreement with the Baton Rouge Bar Foundation (BRBF) to provide administrative services to manage the pro bono portion of CALSC's PAI program. For 2000, the BRBF was paid \$38,000 as a subrecipient.

Note 11 - CONTINGENT LIABILITIES

A lawsuit has been filed against CALSC for alleged damages suffered by a client who received services from CALSC. The attorney representing CALSC has advised CALSC's management to vigorously contest the litigation believing the plaintiff's claims have prescribed. Costs to defend this case are being paid under CALSC's malpractice insurance policy. Management believes CALSC's dollar exposure in this case will be limited to the deductible (\$1,000) under the policy which has already been paid.

There are two other lawsuits against CALSC which management believes have been abandoned by the plaintiff or have prescribed. Management believes CALSC has no exposure in these cases.

Note 12 - IRC SECTION 125 CAFETERIA PLAN

On March 1, 1992, CALSC established an Internal Revenue Code Section 125 Cafeteria Plan with a flexible spending arrangement for its full-time employees. Under the flexible spending arrangement, participants may elect to have a portion of their compensation (salary reduction amounts) contributed (that is, withheld from their wages) to an individual account for the reimbursement of qualifying benefits or personal expenses instead of receiving the amount as compensation. As the qualifying expenses are incurred, they are reimbursed from the account.



Note 12 -

IRC SECTION 125 CAFETERIA PLAN - (continued)

Neither the amount contributed nor the value of the qualifying benefits is included in the participant's income, because the plan provides that any amount remaining in the account at the end of the plan year will be forfeited by the participant. Types of benefits that can be paid under the plan include health insurance, life insurance, dependent care, and personal medical expenses not covered by health insurance.

Note 13 -

DEFERRED COMPENSATION PLAN

Effective July 1, 1997, CALSC began offering its employees a means to defer compensation through a tax-sheltered annuity plan. This plan has been established in accordance with Section 403(b)(7) of the Internal Revenue Code. All full-time employees are eligible to participate in the plan, however, participation is not mandatory. Elective deferrals by CALSC's eligible employees are made through salary reduction agreements with CALSC. The maximum an employee may defer is \$10,500 for the year 2000 or the individual employee's maximum exclusion allowance, whichever is less. The maximum exclusion allowance differs from one person to another or even from year to year and is dependent upon several factors. All contributions made to the plan via the salary reduction agreements are 100% vested.

Under this plan, CALSC's management may elect to make contributions to "match" employee salary reductions up to a specified percentage. CALSC's board of directors established a 3% employer matching contribution rate for 2000. The rate for 1999 was also 3%. A plan participant does not vest in employer matching contributions until three years of service have been credited on his behalf. At that time all matching contributions made on his behalf are 100% vested. Also, if a participant's employment ends due to retirement after age 65, disability or death, any employer contributions made on his behalf become fully vested irrespective of the 3 year vesting period.

During 2000, 30 employees participated in the plan. CALSC's matching contributions to the plan for 2000 were \$27,144. The plan operates on a calendar year (same year as CALSC). The wages for the eligible employees totaled \$904,736. All amounts have been contributed by CALSC as required by the plan.

Note 14 -

RESTRICTIONS ON NET ASSETS

Temporarily restricted net assets are available for the following purposes or periods:

◆ Legal assistance program -

Donated rent for the Baton Rouge and Donaldsonville offices	\$7,950 =====
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There were not any permanently restricted net assets received, disbursed, or included in net assets during 2000.

Note 15 -

CONTINGENCIES - GRANT PROGRAMS

CALSC participates in a number of state and federal grant programs, which are governed by various rules and regulations. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that CALSC has not complied with the rules and regulations governing the grants, refunds of any money received and the collectibility of any related receivable at year end may be impaired. In management's opinion, there are no significant contingent liabilities relating to compliance with the rules and regulations governing state and federal grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies. Audits of prior years have not resulted in any significant disallowed costs or refunds. Any costs that would be disallowed would be recognized in the period agreed upon by the grantor agency and CALSC.

Note 16 -

ECONOMIC DEPENDENCY AND SUBSEQUENT EVENT - MERGER

CALSC receives the majority of its revenue from funds provided through grants administered by the Legal Services Corporation (LSC). The grant amounts are appropriated each year by the federal government. If significant budget cuts are made at the federal level, the amount of funds CALSC receives could be reduced significantly and have an adverse impact on its operations.

Note 16 - ECONOMIC DEPENDENCY AND SUBSEQUENT EVENT - MERGER -  
(continued)

CALSC's funding from LSC for 2001 is expected to be \$1,492,344. However, CALSC does not plan to solicit or apply for its major grants, including grants from LSC, the LBF for IOLTA funds, and certain parish government grants, after 2001. The reason for this is that a decision by management was made in March, 2001, to consolidate the regional providers of legal services to the poor. The consolidation is part of a national effort by LSC to minimize and streamline the operational costs of its programs. Effective January 1, 2002, personnel and resources from CALSC, NOLAC, and Southeast Legal Services will be merged. The merger is pending approval by LSC. If the merger is approved, the plan is to use Southeast Legal Services as the primary corporation to administer the LSC, LBF(IOLTA), and parish government awards. The details of the merger are currently being developed and implemented by the management of these three corporations. Management does not plan to terminate CALSC but will maintain the corporation to administer the EPS program and certain parish government awards. CALSC will continue to provide services to the poor. CALSC will also become active in economic development, fund-raising, and other efforts to help local not-for-profit organizations, including Southeast Legal Services.

Note 17 - BOARD OF DIRECTORS' COMPENSATION

The Board of Directors is a voluntary board; therefore, no compensation or per diem has been paid to any member. However, client board members are reimbursed in accordance with CALSC's travel reimbursement policy when attending meetings on behalf of CALSC.

Note 18 - FAIR VALUE OF FINANCIAL INSTRUMENTS

CALSC has a number of financial instruments, none of which are held for trading purposes. CALSC estimates that the carrying amount of all financial instruments at December 31, 2000, approximated their fair values.



RISK MANAGEMENT

CALSC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; job related illnesses and injuries to employees; and natural disasters. CALSC has purchased commercial insurance to cover or reduce the risk of loss that might arise should one of these incidents occur. No settlements were made during the fiscal year that exceeded CALSC's insurance coverage of these risks.

CALSC also provides its employees health care coverage. Beginning March 1, 2000, CALSC contributed \$300 per month towards each employee's health insurance premium. Amounts in excess of this, including dependent coverage, are the responsibility of the employee.

Prior to March 1, 2000, CALSC contributed \$246 per month towards the employees' health insurance premiums. The premiums were remitted to a third party administrator as part of a self-insurance program with other legal service recipients in Louisiana. Additional insurance coverage was available to stop-loss any costs that might exceed the self-insurance fund. However, according to the insurance company which provided the stop-loss coverage, the plan administrator did not file some claims on time and this resulted in the participants of the self-insurance fund having to pay for claims that were denied. As a result, CALSC has had to pay \$28,420 for its share of denied claims. CALSC and the other participants of self-insurance fund are pursuing collection of the funds they had to pay for amounts that were denied. Although management believes the insurance company has improperly interpreted the cut-off date for submitting claims, it cannot predict the outcome of any efforts to get reimbursed. Accordingly, the additional payments by CALSC have been charged to the current year's fringe benefit expense.



Note 20 -

CONCENTRATIONS OF CREDIT RISK ARISING FROM CASH DEPOSITS IN EXCESS OF INSURED LIMITS

The CALSC maintains its cash balances primarily in two financial institutions. The balances are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000 in each bank. At December 31, 2000, CALSC's uninsured cash balances totaled \$127,325, of which \$54,134 were collateralized by pledges of United States Government securities by the banks where deposits exceeded FDIC insurance coverage. The remaining \$73,191 was not collateralized.

The additional collateralization provided by these banks is normally enough to fully collateralize all deposits in excess of FDIC coverage. The uncollateralized balance at December 31, 2000 was caused because LSC wired, in advance, 2 monthly payments for the 2001 grant into CALSC's bank account on December 29, 2000. Accordingly, management was unable to obtain a change in collateralization limits from the bank to cover the excess funds. However, sufficient funds were transferred from this account on January 5, 2001 to eliminate the uncollateralized balance.

Note 21 -

DONATED SERVICES AND RENT

During 2000, CALSC received donated professional legal services totaling \$332,215 as described below. All donated services received during the current year related to CALSC's "legal assistance" program.

- ◆ CALSC received \$260,860 in professional legal services donated by private attorneys participating in a pro bono program, which is managed for CALSC by the Baton Rouge Bar Foundation (BRBF). Management has accepted BRBF's valuation for the donated services received under this program. BRBF has a system in place to track the hours donated and multiplies them using a standard rate of \$100 per hour, or a rate provided by the attorney who donated the service, to arrive at the value of the donated services.

Note 21 -

DONATED SERVICES - (continued)

- ◆ CALSC also received \$71,355 in donated services from attorneys who participated in the PAI program. These attorneys charged reduced or flat rates for services rather than standard rates thereby creating a contribution to CALSC. The rate differences were documented by CALSC's staff throughout the year and totaled at year end.

CALSC also received rent reductions from the lessors for the Donaldsonville and Baton Rouge offices. The rent reduction for the Donaldsonville office is \$50 per month and the reduction for the Baton Rouge office is \$1,050 per month.

**SUPPLEMENTARY FINANCIAL INFORMATION**

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
LEGAL SERVICES CORPORATION GRANT**

For the Year Ended December 31, 2000  
(With Summarized Totals for the Year Ended December 31, 1999)

	Basic Field Award	Private Attorney Involvement	2000	1999
<b>SUPPORT AND REVENUES</b>				
Grant from Legal Services Corporation	1,145,157	251,423	\$1,396,580	\$1,398,480
Interest income	7,027	0	7,027	5,129
JTPA reimbursements	2,055	0	2,055	0
Workman's compensation refund	35	0	35	0
<b>Total support and other revenues</b>	<b>1,154,274</b>	<b>251,423</b>	<b>1,405,697</b>	<b>1,403,609</b>
<b>EXPENSES</b>				
Salary and wages:				
Attorney	382,539	4,596	387,135	408,056
Non-attorney	424,824	76,991	501,815	449,715
Employee benefits	177,870	30,209	208,079	178,033
<b>Total personnel expenses</b>	<b>985,233</b>	<b>111,796</b>	<b>1,097,029</b>	<b>1,035,804</b>
Space and occupancy:				
Building rental	47,505	5,209	52,714	13,737
Utilities	20,606	2,430	23,036	17,311
Janitorial and building maintenance	12,097	1,498	13,595	11,771
Equipment rental	6,238	660	6,898	6,907
Equipment maintenance	31,571	3,440	35,011	36,726
Office expenses:				
Consumables	24,544	2,671	27,215	32,704
Postage	9,229	937	10,166	9,478
Advertising	1,134	126	1,260	547
Printing	1,667	117	1,784	1,013
Legal and paralegal consultants	2,995	59,842	62,837	55,400
Telephone	37,794	3,601	41,395	48,417
Subrecipient awards - Schedule 3	0	38,000	38,000	48,500
Training	18,932	7,019	25,951	31,392
Insurance	21,660	2,357	24,017	17,461
Library additions and subscription renewals	16,991	1,873	18,864	24,241
Audit fees	15,902	1,864	17,766	15,613
Staff parking	12,620	3,090	15,710	13,467
Travel	10,551	3,761	14,312	19,517
Consultants and payroll services	6,349	886	7,235	9,238
Equipment purchases under capitalization limit	3,671	0	3,671	17,637
Dues and memberships	2,579	246	2,825	2,390
Litigation	1,072	0	1,072	1,275
Property taxes	373	0	373	96
Bank charges	330	0	330	227
Miscellaneous	66	0	66	0
Interest expense	0	0	0	2,555
Meetings	0	0	0	3,075
<b>Total expenses</b>	<b>1,291,709</b>	<b>251,423</b>	<b>1,543,132</b>	<b>1,476,497</b>
<b>SUPPORT AND REVENUES OVER(UNDER) EXPENSES</b>	<b>(137,435)</b>	<b>0</b>	<b>(137,435)</b>	<b>(72,888)</b>
<b>OTHER CHANGES IN NET ASSETS DURING THE YEAR</b>				
Principal payments on capital lease	(6,995)	0	(6,995)	(6,058)
Equipment acquisitions which were capitalized	(6,205)	0	(6,205)	(1,111)
Expenses absorbed by grant from the Loyola School of Law	0	0	0	3,000
Expenses absorbed by transfers from unrestricted net assets	150,635	0	150,635	70,386
<b>Net other changes</b>	<b>137,435</b>	<b>0</b>	<b>137,435</b>	<b>66,217</b>
<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>6,671</b>
<b>NET ASSETS AT END OF YEAR</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>



**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF SUPPORT, REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
IOLTA GRANT**

**For the Year Ended December 31, 2000**

**SUPPORT AND OTHER REVENUES**

Grant from the Louisiana Bar Foundation	\$83,033
Interest Income	9
	<hr/>
Total support and other revenues	83,042
	<hr/>

**EXPENSES**

Salaries and wages	
Attorney	27,500
Non-attorney	33,491
Employee benefits	10,806
	<hr/>
Total personnel expenses	71,797

Access to Justice	4,383
Travel	3,909
Audit fee	1,800
Training	1,000
Staff parking	144
Bank charges	9
	<hr/>
Total expenses	83,042
	<hr/>

<b>CHANGE IN NET ASSETS</b>	<b>0</b>
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<b>NET ASSETS AT BEGINNING OF YEAR</b>	<b>0</b>
	<hr/>

<b>NET ASSETS AT END OF YEAR</b>	<b>\$0</b>
	<hr/> <hr/>

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF SUBRECIPIENT CASH RECEIPTS AND DISBURSEMENTS**

**For the Year Ended December 31, 2000**

	<u><b>Baton Rouge Bar Foundation</b></u>
<b>Cash received from CALSC under subgrant agreement</b>	<u><b>\$38,000</b></u>
<b>Cash disbursements:</b>	
Non-attorney salaries	21,529
Rent	5,400
Telephone	2,447
Printing	1,836
Employee benefits - payroll taxes & health insurance	1,633
Training	1,525
Utilities	1,329
Postage	800
Office consumables	864
Court costs	364
Insurance	168
Computer maintenance	<u>105</u>
<b>Total cash disbursements</b>	<u><b>38,000</b></u>
<b>Cash receipts over (under) cash disbursements</b>	<u><u><b>\$0</b></u></u>

**CAPITAL AREA LEGAL SERVICES CORPORATION  
BATON ROUGE, LOUISIANA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**For the Year Ended December 31, 2000**

<u>Federal Grantor</u>	<u>Recipient No.</u>	<u>LSC Grant No.</u>	<u>Federal CFDA No.</u>	<u>Program or Award Amount</u>	<u>Grant Revenue Received</u>	<u>Federal Expenditures</u>
Legal Services Corp.	619010	2000001	09.619010	<u>\$1,396,580</u>	<u>\$1,396,580</u>	<u>\$1,396,580</u>

The accompanying notes are an integral part of this schedule

**Note A - Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Capital Area Legal Services Corporation and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the basic financial statements.

**Note B - Subrecipients**

Capital Area Legal Services Corporation provided federal awards to subrecipients as follows:

<u>Source of Federal Funds</u>	<u>Subrecipients</u>	<u>Federal CFDA Number</u>	<u>Amount Provided</u>
Legal Services Corporation	Baton Rouge Bar Foundation	09.619010	<u>\$38,000</u>

**Note C - No federal awards were expended in the form of noncash assistance during the year.**

## SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

### **Capital Area Legal Services Corporation Baton Rouge, Louisiana**

**December 31, 2000**

Last year's audit did not report any findings or questioned costs relative to federal award programs that met the criteria provided in Section .510(a) of OMB Circular A-133.

However, the auditor reported departures in CALSC's procedures and controls and he issued a management letter reporting three other matters as follows:

#### Reportable Conditions

**99-1:** Failure To Follow-up and Correct Departures From Company Procedures and Controls

#### Description of Matter

- ◆ An interpretation of the intent and application of CALSC's vacation policy as it relates to carryover of excess annual leave to a subsequent year was to have been made.

**Status:** Resolved - no carryover of hours exceeding 80 hours is now permitted.

- ◆ Travel advances were not being reconciled within 10 days of the end of the trip as required by CALSC policy.

**Status:** Unresolved; some instances are still occurring, although not as frequently. It should be noted that, despite some advances being reconciled late, all funds were properly accounted for.

- ◆ A determination of the circumstances relating to an unreconciled advance to CALSC's director was to be made and a remedy decided.

**Status:** Resolved - it was determined the funds had been spent despite lack of documentation.

- ◆ Time management sheets and time sheets were not being submitted by employees as required by CALSC payroll policy.

**Status:** Unresolved; instances still occur.



SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
(Continued)

Management Letter Comments

**ML#1:** CALSC Needs To More Closely Monitor Its EPS Grant Activity.

- ◆ Unearned income relating to prior awards should be repaid.

**Status:** Resolved; unearned amounts from the FY98 and FY99 contracts were repaid in January, 2001.

- ◆ Management should more closely monitor the grant activity to prevent large amounts of unearned funds from accruing.

**Status:** Unresolved; unearned revenue of \$3,498 occurred again in 2000.

**ML#2:** Vehicles May Have Been Leased Prematurely in 2000.

- ◆ Request approval from LSC regarding the leased vehicles even though it was after-the-fact.

**Status:** Resolved - LSC granted approval.

**ML#3:** Company Policy Needed On the Use of Leased Vehicles.

- ◆ A written policy regarding the usage of the two leased vehicles needs to be developed and approved.

**Status:** Unresolved - an oral policy is in place but has not been reduced to writing and formally approved. However, affidavits were provided by the employees who used these vehicles stating that they did not use the vehicles for personal reasons.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

For the Year Ended December 31, 2000

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of the Capital Area Legal Services Corporation.
2. Reportable conditions were disclosed during the audit of the financial statements and have been reported in the "Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards." The reportable conditions were not considered to be material weaknesses.
3. No instances of noncompliance material to the financial statements of the Capital Area Legal Services Corporation were disclosed during the audit.
4. Reportable conditions relating to the audit of the major federal award program were reported in the "Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133." The reportable conditions were not considered to be material weaknesses.
5. The auditor's report on compliance for the major federal award programs for the Capital Area Legal Services Corporation expresses an unqualified opinion.
6. There are no findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. There was only one federal award program and that program was tested as a major program. That program is as follows:

Legal Service Corporation  
Recipient #619010  
LSC Grant #2000001  
Federal CFDA # - 09.619010
8. The threshold for distinguishing Type A and B programs was \$300,000.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(continued)

**A. SUMMARY OF AUDIT RESULTS - (continued)**

9. Capital Area Legal Services Corporation was not determined to be a low-risk auditee.

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**Reportable Conditions - Internal Control**

**Application:** Both of the following reportable conditions affect all programs administered by CALSC.

**IC-1: Some Prior Year Findings Have Not Been Resolved**

In last year's audit I reported that violations of company policies had occurred with respect to: (1) carryover of excess vacation hours, (2) timely reconciliation of travel advances, (3) lack of documentation of how an expense advance was spent and, (4) untimely submission of time sheets and TMS reports.

The board of directors evaluated these policies and, in my opinion, resolved two of the matters. It was decided that there would not be an approval of any request to carryover unused vacation in excess of 80 hours. In my review of the vacation records, I did not find where any employee was allowed to carryover more than 80 hours into the next fiscal year. The other matter that was resolved related to an undocumented expense advance given to CALSC's director. Out of a \$5,000 advance, \$1,954.45 remained unaccounted for. CALSC's board accepted the director's explanation of how the funds were spent and why documentation was not provided. Although the board did not request repayment of the undocumented expenses, the board admonished the director for his poor handling of funds. The funds involved related to an unrestricted donation made by Entergy Corporation.

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(continued)

In my opinion, there are still two matters from last year that have not been fully resolved despite the board of directors attempt to resolve them. The Director of Finance was given the authority to enforce CALSC's policies governing the untimely submission of (1) time sheets and TMS and (2) reports on how travel advances were spent. Based on my inquiry of CALSC's personnel and review of documents, instances are still occurring where company policies in these areas are not being followed nor enforced. The instances appear to involve the same people.

I recommend that management investigate why the departures continue to occur and determine the best way to obtain compliance from all employees, particularly the repeat offenders.

**IC-2: Accounting Software and System Design Has Kinks**

For the second year in a row, I was furnished a general ledger that did not balance. The differences were not material, but it took me unnecessary time to resolve the differences. Also, this year, the details of the transactions for the first five months of the year were inadvertently purged from the system. Again, this resulted in an inefficient audit trail and consumed unnecessary time.

The system's design is also not user friendly and makes it difficult to locate and correct posting errors. I spend a significant amount of time every audit making reclassification entries and adjustments to correct posting errors. If the chart of accounts could be redesigned and the process for input and review of data modified, I believe the number of errors I have to correct could be reduced. The current software may not be flexible enough to accommodate my requests.

The effects of what I have described could have resulted in significant distortions of financial information presented in these financial statements had I not expanded my audit scope and corrected the errors.

Because of the matters I have described above, I believe management needs to decide if CALSC's current software is reliable and if the accounting system is adequate to meet its needs.



**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
(continued)

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAM AUDIT**

Findings IC-1 and IC-2 noted in Section B here above also represent reportable conditions in internal control over the CALSC's major federal award program because the same internal control system is used for all CALSC's activities. There were no questioned costs discovered by me that require reporting in this section. There were no other findings that need to be reported in this section. The major federal program that is affected by this finding is identified in item 7 of Section A. The description of the finding and CALSC's response are the same as reported in Section B.

**D. MANAGEMENT LETTER**

A management letter was issued by the auditor for this year's audit and a copy has been included as the next section of this reporting package.

**E. MANAGEMENT RESPONSE**

*CALSC's management has reviewed the reportable conditions and other matters discussed in the management letter and presented its response to each item in the Corrective Action Plan section of this report package.*

# NEIL G. FERRARI

CERTIFIED PUBLIC ACCOUNTANT

14481 OLD HAMMOND HIGHWAY, SUITE 4  
BATON ROUGE, LA 70816

MEMBER OF THE  
SOCIETY OF LOUISIANA CPAS

MEMBER OF THE  
AMERICAN INSTITUTE OF CPAS

PHONE (225) 272-1177

## MANAGEMENT LETTER

March 22, 2001

To the Board of Directors  
Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

I have audited the financial statements of Capital Area Legal Services Corporation as of and for the year ended December 31, 2000, and have issued my report dated March 22, 2001. I conducted my 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 and the provisions of OMB Circular A-133.

As part of my audit, I also issued a report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*, dated March 22, 2001, and a report on compliance with requirements applicable to each major federal award program and on internal control over compliance in accordance with OMB Circular A-133, dated March 22, 2001.

During the course of my audit, I became aware of other matters involving internal control and compliance that are deserving of your attention.

ML #1: Company Car Usage

CALSC has leased two cars and assigned them to the two employees who travel the most. CALSC has a policy that these cars not be used for personal reasons except for de minimus personal use in commuting to and from work.

## Management Letter - (continued)

However, this policy has not been formally reduced to writing and distributed to the employees using these cars. I recommend this be done and that the employees certify via affidavit on an annual basis that they have complied with CALSC policy. Also, information regarding the number of days the vehicles were used for commuting purposes will need to be submitted to allow for proper valuation and reporting for W-2 purposes. I have furnished management a "sample" policy to assist it in developing an appropriate policy.

### ML #2: Cell Phone Usage and Cost

The two employees who have use of the company cars also have cell phones. The nature of their jobs require a lot of travel and "after hours" duties making the cell phones necessary. However, I have noticed that the monthly usage of a cell phone by one of the employees consistently surpasses the "base" number of minutes purchased for each month. I recommend that management (1) adopt a written policy to govern the use of cell phones, (2) obtain affidavits from employees using cell phones that they did not use them for personal reasons, (3) evaluate why the base minutes are exceeded each month by one employee and, (4) if the excess minutes are justified, then investigate purchasing a monthly package with a higher number of "base" minutes to reduce costs.

### ML #3: The Purchase Of Goods and Services

In my review of the purchase process I noted some ways to improve documentation as follows:

- ◆ An effort should be made to include as much information as possible on the purchase order or requisition to justify procurement of goods and services. There were a few instances where, after I examined supporting documents for purchases, I had to expand my review to gain additional information to determine the propriety, nature, and purpose of the expenditure.
- ◆ In cases where equipment is purchased and such equipment has a serial number, consider having the person receiving the item write the serial number on the receiving report, or whatever document accompanies the equipment, to facilitate updating the fixed asset subledger.

Management Letter - (continued)

- ◆ The Director of Administration is responsible for soliciting bids and documenting this process. He keeps this information, but the accounting department does not receive a copy for the items procured by him. Also, there are occasions where the low bid is not accepted. In those cases, the Director of Administration can orally explain why he chose a particular company, but there is nothing in writing to document his reasons. I recommend the accounting department be furnished bid information and, that before a particular bid is accepted, a narrative be written to describe the substantive reasons for selecting a particular company's bid.
- ◆ Occasionally, there is a need to have a meeting which involves a discussion before, during, or after a meal. In cases where CALSC pays for the meal, a list of the specific people who attended should be furnished as part of the documentation. In most cases this was done, but I noted some instances where all persons were not listed. All meeting costs were paid for with unrestricted funds.
- ◆ The accounts payable clerk is not receiving copies of the purchase orders until the end of the year. I recommend bills should not be paid unless a purchase order has been furnished to the accounts payable clerk.
- ◆ Purchase orders are not being "marked" to indicate they were filled.
- ◆ The accounts payable clerk commented that she wastes a lot of time locating actual invoices.
- ◆ No purchase order was available for a \$737.16 purchase made at Walmart on 6/27/00. The purchase seemed appropriate but this is an instance where an expenditure could easily be made for unauthorized purposes.



Management Letter - (continued)

ML #4: New Contracts and Services

During the year CALSC began to provide services under a Department of Social Services (DSS) contract it received from the State of Louisiana. The primary purpose of this contract was to provide professional legal services to persons seeking to establish specific visitation orders to see their children. CALSC was paid \$125 per hour not to exceed \$500 per case for providing these services.

The CALSC employees who provided the services under this contract were instructed to do so "after normal working hours", and, in situations where they had to attend to matters during normal working hours, they were instructed to code their time to "comp time" or use personal vacation. These employees were paid "extra" for their services at the time CALSC received its payments under the contract not when the service was performed.

During the audit I discovered several problems associated with the procedures used to administer this contract.

- ◆ Employees are not required or permitted by CALSC policy to account for "comp time" on their regular time sheets. Accordingly, it was difficult to verify how much "comp time" an employee had "earned" so that I could relate it to how much "comp time" he was required to use to service the DSS contract during normal working hours.
- ◆ Some of the employees coded DSS hours to the LSC department on their TMS reports.
- ◆ One employee, who participated significantly in providing services under this contract, works in a satellite office. This made it difficult to ascertain what project he was really working on during the day and when he did the work.
- ◆ Although the DSS contract was discussed at a board meeting, the method of payment to employees working on this contract was not approved by the board.
- ◆ The accounting department was not involved in the billing of services under this contract nor was it involved in verifying time kept by the employees working on the contract.

Management Letter - (continued)

These deficiencies caused me to expand my audit scope to evaluate their effects. I concluded that the LSC and other programs were not materially affected by the deficiencies. In retrospect, the process should and could have been better planned, communicated, and carried out.

I recommend that any time a new contract is obtained, for which a departure from the routine practices may be considered or required, management contact me immediately for advice and suggestions on how to prevent similar deficiencies from occurring.

ML #5: Baton Rouge Bar Foundation - Subrecipient of LSC Funds

During my review of the operations of the Baton Rouge Bar Foundation (BRBF) administration of LSC funds it received from CALSC, I noted the following concerning its procedures and controls:

- ◆ Time cards are not being signed by the director in all cases indicating approval for employees who are paid with LSC funds.
- ◆ Fixed assets paid for with LSC funds in prior years were scrapped during the move to a new facility. Although, the assets had surpassed their estimated useful lives, no list was provided to CALSC for prior approval.
- ◆ Although the BRBF moved to a new facility in September, 2000, cost allocations for overhead were not recomputed and adjusted until 2001. The effects were not material.
- ◆ There is a lack of segregation of duties in that the BRBF's director prepares and signs checks. She has access to the accounting data and can purchase goods and services. She also distributes pay checks. This lack of separation of duties can be remedied. However, if the BRBF does not want to change the current assignment of duties, the lack of separation can be mitigated if the person doing the bank reconciliation will compare the details on the actual check to those in the general ledger and receive the bank statement unopened. In addition, the BRBF officer who is the second signature on the check with the director should review the supporting documents for each disbursement. This review and approval should be noted in writing on the supporting documents.

Management Letter - (continued)

ML #6: Use of Non-LSC Funds

45CFR1610.50 states that no recipient may accept funds from any source other than LSC, unless the recipient provides the source of the funds written notification that their funds may not be used in any manner inconsistent with LSC regulations. 45CFR1610.50 also states that the notification should be provided before the recipient accepts the funds. Thus, notice should be given during the course of soliciting funds or applying for a grant or contract.

CALSC has not been doing what 45CFR1610.50 prescribes. It has either notified the funder after the award was made, or not sent any notice.

The effects of this non-compliance are not material. The deficiency relates more to the "form" rather than the substance of the compliance. This is because I was able to determine that all non-LSC funds were properly used.

I recommend CALSC send written notification to all funders that have not been previously notified. In the future, before accepting any funds, management should ensure that 45CFR1610.50 has been followed.

I recommend management address the foregoing issues as an improvement to operations and the administration of public programs. I am available to further explain these matters or to help implement recommendations.

Sincerely,

*Neil Ferrari, CPA*

Neil G. Ferrari, CPA



**MANAGEMENT'S CORRECTIVE ACTION PLAN**

Capital Area Legal Services Corporation  
Baton Rouge, Louisiana

December 31, 2000

To the following oversight agencies for audit:

Federal: Legal Services Corporation

State: Legislative Auditor of the State of Louisiana

Capital Area Legal Services Corporation (CALSC), Baton Rouge, Louisiana, respectfully submits the following corrective action plan for the year ended December 31, 2000.

Name and address of independent public accounting firm: Neil G. Ferrari, CPA, 14481 Old Hammond Highway, Suite 4, Baton Rouge, Louisiana, 70816.

Audit period: For the year ended December 31, 2000.

The findings from this year's Schedule of Findings and Questioned Costs are discussed below. The findings are numbered consistently with the number assigned in the schedule. Section A of the schedule, Summary of Auditor Results, does not include findings and is not addressed in this corrective action plan.

**B. Findings - Financial Statement Audit**

Management's response and corrective action relating to reportable conditions in internal control are as follows:

**Finding IC-1:** Some Prior Year Findings Have Not Been Resolved.

Management will emphasize the need to comply with travel and payroll policies at its next staff meeting to ensure employees know what is required. The reason why certain people fail to comply with CALSC policies will be investigated to determine if a change in policy is required. Management will also reconsider the 10 day deadline on submitting travel advance reconciliations. It appears, based on certain situations that have previously occurred, that 10 days may be too short a time period. Accordingly, a 30 day deadline will be proposed to the board of directors as a change in policy.



**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
(Continued)

**Finding IC-2: Accounting Software and System Design Has Kinks**

Due to the pending merger, CALSC will address the possibility of software changes at that time. Meanwhile, we will continue to work closely with the technical assistance personnel for our current software to ensure that the integrity of the financial data is not compromised.

**C. Findings and Questioned Costs - Major Federal Award Program Audit**

The findings, responses, and corrective actions that were described for Findings IC-1 and IC-2 here above, also apply for this section.

**D. Management's Response and Corrective Action To The Management Letter Items Are As Follows:**

**ML #1: Company Car Usage**

The Executive Director will design a written policy and submit it for board approval at the next meeting. Affidavits have been signed by vehicle users attesting that the vehicles have only been used for business purposes.

**ML #2: Cell Phone Usage and Cost**

Affidavits have been signed attesting that the phones are only used in an emergency basis for personal use and those costs are reimbursed to CALSC. We have already evaluated the monthly cell phone plan and procured one to reduce costs and better meet our needs. We will develop a policy regarding cell phone usage to submit to our board for review and approval.

**ML #3: The Purchase Of Goods and Services**

Management acknowledges that IPA's findings and will work on practical ways to implement his recommendations and assure compliance with current procedures.

**MANAGEMENT'S CORRECTIVE ACTION PLAN**  
(Continued)

ML #4: New Contracts and Services

Management acknowledges that new contracts and services may produce changes in administrative and accounting procedures that need to be properly planned, communicated, and approved by management. We will be more alert to the possible impact that new contracts and services produce. Accordingly, key people will be consulted, as deemed necessary by management, to obtain suggestions on what needs to be done to properly administer the new contracts and services. Board approval will be obtained and documented if deviations from policy are necessary.

ML #5: Baton Rouge Bar Foundation - Subrecipient of LSC Funds

The IPA's concerns will be forwarded to the Baton Rouge Bar Foundation for its review. Although verbal approval was given to the Foundation to dispose of scrapped equipment purchased with LSC funds, it was not done in writing. We will follow up on the BRBF's corrective action in our monitoring visit to determine if appropriate changes have been made.

ML #6: Use of Non-LSC Funds

Management will send out letters to potential funders at the time CALSC applies for the money. In cases when money is unexpectedly given to CALSC, we will send a letter to comply with 45CFR1610.5.

If there are any questions regarding this corrective action plan, please call Jim Wayne, Executive Director at (225) 387-5173, extension 285.