

7446

**OPERATION TURN AROUND, INCORPORATED**  
**Minden, Louisiana**

**Financial Report**  
**December 31, 2006**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 11/14/07

**Operation Turn Around, Incorporated  
Minden, Louisiana**

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**Bobby Gray**  
Certified Public Accountant

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American Institute of Certified Public Accountants Society of Louisiana Certified Public Accountants

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of  
Operation Turn Around, Incorporated

I have audited the accompanying statement of financial position of Operation Turn Around, Inc. (a non-profit organization) as of December 31, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. My responsibility is to express an opinion on these financial statements based on my audit.

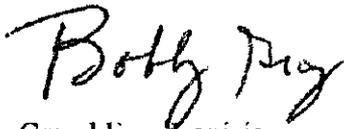
I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and 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 Operation Turn Around, Incorporated as of December 31, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, I have also issued my report dated August 10, 2007 on my consideration of Operation Turn Around, Incorporated's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral

part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of my audit.

My audit was conducted for the purpose of forming an opinion on the basic financial statements of Operation Turn Around, Incorporated taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U. S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations", and is not required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Bobby May".

Grambling, Louisiana  
August 14, 2007

**OPERATION TURN AROUND, INC.**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2008**

**ASSETS**

Current Assets:

|                           |          |
|---------------------------|----------|
| Cash and cash equivalents | \$ 1,570 |
| Grants receivable         | 33,728   |
| Other current assets      | -        |

**Total Current Assets** 35,298

Equipment and Leasehold Improvements

|              |   |
|--------------|---|
| Other assets | - |
|--------------|---|

**TOTAL ASSETS** \$ 35,298

**LIABILITIES AND NET ASSETS**

Current liabilities:

|                  |           |
|------------------|-----------|
| Accounts payable | \$ 33,728 |
|------------------|-----------|

**Total Current Liabilities** 33,728

**NET ASSETS**

|                         |       |
|-------------------------|-------|
| Unrestricted net assets | 1,570 |
|-------------------------|-------|

|                                   |   |
|-----------------------------------|---|
| Temporarily restricted net assets | - |
|-----------------------------------|---|

**Total Net Assets** 1,570

**TOTAL LIABILITIES AND NET ASSETS** \$ 35,298

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

**OPERATION TURN AROUND, INC.**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

|   | <u>Unrestricted</u> | <u>Temporarily<br/>Restricted</u> | <u>Total</u>    |
|---|---------------------|-----------------------------------|-----------------|
| <b>PUBLIC SUPPORT</b>                         |                     |                                   |                 |
| <b>Public Support:</b>                        |                     |                                   |                 |
| Government Grants                             | \$ 608,067          | \$ -                              | \$ 608,067      |
| Contributions                                 | -                   | -                                 | -               |
| <b>Total Public Support</b>                   | <b>608,067</b>      | <b>-</b>                          | <b>608,067</b>  |
| <b>Other Support:</b>                         |                     |                                   |                 |
| Interest income                               | -                   | -                                 | -               |
| Other   | -                   | -                                 | -               |
| <b>Total Other Support</b>                    | <b>-</b>            | <b>-</b>                          | <b>-</b>        |
| <b>TOTAL PUBLIC SUPPORT AND OTHER SUPPORT</b> | <b>608,067</b>      | <b>-</b>                          | <b>608,067</b>  |
| <b>EXPENSES</b>                               |                     |                                   |                 |
| <b>Program services:</b>                      |                     |                                   |                 |
| Teen Pregnancy Prevention Program             | 170,176             | -                                 | 170,176         |
| After School for All Tutorial Program         | 153,340             | -                                 | 153,340         |
| Community Based Abstinence Education Program  | 284,551             | -                                 | 284,551         |
| <b>Total Program Services</b>                 | <b>608,067</b>      | <b>-</b>                          | <b>608,067</b>  |
| <b>Supporting Services:</b>                   |                     |                                   |                 |
| Management and General                        | -                   | -                                 | -               |
| <b>Total Expenses</b>                         | <b>608,067</b>      | <b>-</b>                          | <b>608,067</b>  |
| <b>CHANGE IN NET ASSETS</b>                   | <b>-</b>            | <b>-</b>                          | <b>-</b>        |
| <b>NET ASSETS AT BEGINNING OF YEAR</b>        | <b>1,570</b>        | <b>-</b>                          | <b>1,570</b>    |
| <b>NET ASSETS AT END OF YEAR</b>              | <b>\$ 1,570</b>     | <b>\$ -</b>                       | <b>\$ 1,570</b> |

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

**OPERATION TURN AROUND, INCORPORATED**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

**PROGRAM SERVICES**

|                                 | TANF                            |   |                   | Community Based<br>Abstinence<br>Education | Total |
|---------------------------------|---------------------------------|---|-------------------|--|-------|
|                                 | Teen<br>Pregnancy<br>Prevention | After School<br>For All<br>Tutorial Program |                   |  |       |
| Salaries                        | \$ 13,728                       | \$ 67,931                                   | \$ 127,113        | \$ 208,772                                 |       |
| Fringe benefits                 |                                 | 121   |                   | 121  |       |
| Purchased professional services | 66,832                          | 13,553                                      |                   | 80,385                                     |       |
| Purchased property services     | 14,606                          | 17,005                                      |                   | 31,611                                     |       |
| Other purchased services        | 72,287                          | 15,557                                      |                   | 87,844                                     |       |
| Contractual                     |                                 |   | 108,791           | 108,791                                    |       |
| Supplies                        | 2,723                           | 22,031                                      | 48,647            | 73,401                                     |       |
| Other charges                   |                                 | 17,142                                      |                   | 17,142                                     |       |
|                                 | <u>\$ 170,176</u>               | <u>\$ 153,340</u>                           | <u>\$ 284,551</u> | <u>\$ 608,067</u>                          |       |

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

**OPERATION TURN AROUND, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2006**

|  |                 |
|--|-----------------|
| <b>Cash Flows from Operating Activities:</b>   |                 |
| Increase in Net Assets   | \$ -            |
| Adjustments to reconcile change in net assets to net cash provided by operating activities |                 |
| (Increase) decrease in receivables   | (33,728)        |
| (Increase) decrease in prepaid expenses  | -               |
| Increase (decrease) in accounts payable and accrued expenses                               | <u>33,728</u>   |
| Net cash provided by operating activities  | -               |
| <b>Cash Flows from Investing Activities:</b>   |                 |
| Temporarily restricted net assets  | <u>-</u>        |
| Net cash used by investing activities  | -               |
| Increase in cash and cash equivalents  | -               |
| Cash and cash equivalents, beginning of year   | 1,570           |
| Cash and cash equivalents, end of year   | <u>\$ 1,570</u> |

The accompanying notes are an integral part of these statements.

**OPERATION TURN AROUND, INCORPORATED**  
**Minden, Louisiana**

**Notes to the Financial Statements**  
**December 31, 2006**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Operation Turn Around, Incorporated (the Organization) is a nonprofit organization that was first incorporated under the laws of the State of Louisiana on March 2, 2005. The organization was formed for charitable and educational purposes under Section 501 (c) (3) of the Internal Revenue Code..

**A. Basis of Accounting**

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

**B. Estimates**

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

**C. Cash and Cash Equivalents**

For the purposes of the statement of cash flows, cash and cash equivalents include demand deposits, certificates of deposit, and all highly liquid debt instruments with original maturities of three months or less.

**D. Grants Receivable**

Grants receivable represent amounts that have been expended for grant purposes and are to be reimbursed in full by the grantor and are due within the next twelve months.

**E. Equipment and Leasehold Improvements**

Donated equipment is recorded at fair market value at the date of the donation. Purchased equipment and leasehold improvements are capitalized at cost. The

**OPERATION TURN AROUND, INCORPORATED**  
**Minden, Louisiana**

**Notes to the Financial Statements (Continued)**  
**December 31, 2006**

Organization's policy is to capitalize expenditures for those items with a cost of \$5,000 or more. For items that are capitalized, depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis as follows:

|                         |               |
|-------------------------|---------------|
| Furniture and equipment | 5 – 7 years   |
| Leasehold Improvements  | Life of lease |

**F. Donated Services and Material**

The Organization receives donated services from time to time from unpaid volunteers. No amounts have been recognized in the accompanying statement of activities because the criteria for recognition of such volunteer effort under SFAS No. 116 have not been satisfied.

**G. Contributions**

The Organization accounts for contributions in accordance with the recommendations of the Financial Accounting Standards Board in SFAS No. 116, *Accounting for Contributions Received and Contributions Made*. In accordance with SFAS No. 116, contributions received as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence or nature of any donor restrictions.

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 the purpose for that 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. Operation Turn Around, Inc. had no permanently restricted net assets during the period under audit.

**H. Income Taxes**

The Organization is tax exempt under Section 501 ( c )(3) of the Internal Revenue Code and similar provision of the state code. Therefore, no provision for income taxes has been made in the accompanying financial statements.

**OPERATION TURN AROUND, INCORPORATED**  
**Minden, Louisiana**

**Notes to the Financial Statements (Continued)**  
**December 31, 2006**

**NOTE 2 – CASH AND CASH EQUIVALENTS**

The Organization estimates that the fair value of its cash and cash equivalents does not differ materially from its carrying value as recorded in the accompanying financial statements at December 31, 2006.

**NOTE 3 – RECEIVABLES**

Receivables are deemed to be fully collectible by management and are composed of the following amounts due at December 31, 2006:

|  |           |
|--|-----------|
| Louisiana Department of Education-TANF | \$ 33,728 |
|--|-----------|

**NOTE 4 – ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable consist of the following at December 31, 2006:

|                            |           |
|----------------------------|-----------|
| Accounts payable - vendors | \$ 33,728 |
|----------------------------|-----------|

**OPERATION TURN AROUND, INCORPORATED**  
**Minden, Louisiana**

**Notes to the Financial Statements (Continued)**  
**December 31, 2006**

**NOTE 6 – TEMPORARILY RESTRICTED NET ASSETS**

Net assets were released from donor restrictions by incurring expenses satisfying the time or purpose restrictions specified by the donor as follows:

Purpose restrictions accomplished:

|   |                   |
|---|-------------------|
| Louisiana Department of Education                   |                   |
| Temporary Assistance for Needy Families – ASFA      | \$ 153,340        |
| Temporary Assistance for Needy Families – TPP       | 170,176           |
| U.S. Department of Health and Human Services – CBAE | <u>284,551</u>    |
| Total net assets released from restrictions         | <u>\$ 608,067</u> |

**NOTE 7 – SUMMARY OF GRANTS/CONTRACTS**

Operation Turn Around, Inc. was primarily funded through the following grants and contracts for the period January 1, 2006 through December 31, 2006:

| Funding Source                          | Number       | Recognized        |
|---|--------------|-------------------|
| LA. Department of Education – AFSA      | CFMS# 631962 | \$ 153,340        |
| LA. Department of Education – TPP       | CFMS# 633303 | 170,176           |
| U. S. Department of Health & Human Svcs | 90AE0140/01  | 284,551           |
| Total                                   |              | <u>\$ 608,607</u> |

**SUPPLEMENTARY INFORMATION**

OPERATION TURN AROUND, INCORPORATED  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED DECEMBER 31, 2006

| Federal Grantor/Pass-through Grantor/Program  | Federal<br>CFDA<br>Number | Pass-Through<br>Entity Identifying<br>Number | Federal<br>Expenditures  |
|---|---------------------------|--|--------------------------|
| <b>U. S. Department of Health and Human Services:</b>   |                           |  |                          |
| Pass-through from State Department of<br>Education - Temporary Assistance for Needy<br>Families - AFSA                            | 93.558                    | CFMS# 631962                                 | \$ 153,340               |
| Pass-through from State Department of<br>Social Services - Temporary Assistance for<br>Needy Families - Teen Pregnancy Prevention | 93.558                    | CFMS# 633303                                 | 170,176                  |
| Administration for Children and Families (ACF)<br>Community-based Abstinence Education  | 93.010                    |  | <u>284,551</u>           |
| <b>Total expenditures of federal awards</b>   |                           |  | <u><u>\$ 608,067</u></u> |

OPERATION TURN AROUND, INC.  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2006

To the Board of Directors  
Operation Turn Around, Inc.  
Minden, Louisiana

I have audited the financial statements of Operation Turn Around, Inc. as of and for the year ended December 31, 2006, and have issued my report thereon dated August 14, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of December 31, 2006, resulted in an unqualified opinion.

Section I - Summary of Audit Results

A - Internal Control

Material Weaknesses  yes  no Reportable  yes  no

Compliance Material to Financial Statements  yes  no

B - Federal Awards

Internal Control

Material Weaknesses  yes  no Reportable  yes  no

Type of Opinion on Compliance      Unqualified  Qualified  
For Major Programs                      Disclaimer  Adverse

Are there findings required to be reported in accordance with Circular A-133, Section .510(a)? - No

C - Identification of Major Programs:

Dollar threshold used to distinguish between Type A and Type B  
Programs: \$300,000

Is the auditee a "low risk" auditee, as defined by OMB Circular A-133?  
No.

Section 2 - Financial Statement Findings

**2006-01 Disbursements**

When testing several disbursements for original documentation, 12 of 60 items Tested did not have adequate documentation to support the expenses, nor did evidence of cancellation of invoices appear.

Recommendation: I recommend that management establish and implement controls to monitor all disbursements and support those disbursements with invoices and receipts that match the checks written.

**2006-02 Payroll**

In testing several payroll transactions, I noted that calculations were not readily determinable with accurate accounts of hours worked, rate of pay, pay period ending, and appropriate signatures attesting to the facts.

Recommendation: I recommend that management establish and implement internal controls to facilitate timely and accurate payroll preparation supported by appropriate documentation.

**2006-03 Bank Reconciliation**

It was noted that bank statement reconciliations were not completed timely, or in some cases, accurately. Additionally, there was no evidence of supervisory review and approval of these reconciliations.

Recommendation: I recommend that management require timely and accurate preparation of bank reconciliations and that supervisory personnel review and approve those reconciliations. Such review and approvals should be evidenced by signature or initials with appropriate dates.

**2006-04 Annual Reporting**

The Organization's annual audited financial report for the year ended December 31, 2006 was not filed with the Louisiana Legislative Auditor's Office within six months after the close of the fiscal year as required by LSA-RS 24:513.

Recommendation: I recommend that management comply with applicable requirements of the Louisiana Audit Guide with regard to annual reporting.

**2006-05      Engagement Approval**

The Organization did not meet the requirement for securing engagement approval prior to the close of its fiscal year from the Louisiana Legislative Auditor's Office.

Recommendation: I recommend that management become familiar with and comply with applicable requirements for the engagement of an independent auditor within the time frame required by the Louisiana Legislative Auditor.

Section 3 -    Federal Award Findings and Questioned Costs

None.

Section 4 -    Internal Control and Compliance Material to the Financial Statements

The results of my auditing procedures of the financial statements as of and for the year ended December 31, 2006, disclosed no items that are required to be reported in accordance with OMB Circular A-133.

Section 5 -    Management Letter

The following items were detailed:

- Management should ensure that staff responsible for fiscal record-keeping receive training appropriate for grant accounting.
- Management should ensure that procedures are implemented to properly separate and account for grant funds received by the organization.
- Management should review Internal Revenue Service guidelines for the determination of employee status versus independent contractor status.

OPERATION TURN AROUND, INC.  
SUMMARY OF PRIOR YEAR FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2006

Not Applicable as this is the first year for an audit of this organization.

# Bobby Gray

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

Board of Directors of  
Operation Turn Around, Inc.

I have audited the financial statements of Operation Turn Around, Inc. as of and for the year ended December 31, 2006, and have issued my report thereon dated August 14, 2007. I conducted my audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### **Internal Control Over Financial Reporting**

In planning and performing my audit, I considered Operation Turn Around, Inc.'s internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing an opinion on the financial statements and not for the purpose of expressing an opinion 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 Significant deficiencies. Significant deficiencies 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 judgment, could adversely affect Operation Turn Around, Inc.'s ability to initiate, record, process, and report financial data consistent with the assertions of management in the financial statements. Significant deficiencies are described in the accompanying schedule of findings and responses as items: 2006-01 through 2006-05.

A material weakness is a significant deficiency 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 caused by error or fraud 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 significant deficiencies and,

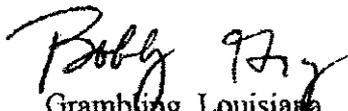
accordingly, would not necessarily disclose all Significant deficiencies that are also considered to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Operation Turn Around, Inc.'s financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items:2006-01 through 2006-05.

I also noted certain additional matters that I reported to management of Operation Turn Around, Inc. in a separate letter dated August 14, 2007.

This report is intended solely for the information and use of the audit committee, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

  
Grambling, Louisiana  
August 14, 2007

# Bobby Gray

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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

Board of Directors of  
Operation Turn Around, Inc.

### Compliance

I have audited the compliance of Operation Turn Around, Inc. with the type of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. Operation Turn Around, Inc.'s major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Operation Turn Around, Inc.'s management. My responsibility is to express an opinion on Operation Turn Around, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with auditing standards generally accepted in the United States of America: the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Operation Turn Around, Inc.'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 Operation Turn Around, Inc.'s compliance with those requirements.

In my opinion, Operation Turn Around, Inc. complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

### **Internal Control Over Compliance**

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

My consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a significant deficiency 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 caused by error or fraud 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. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the Legislative Auditor of the State of Louisiana, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

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## MANAGEMENT LETTER

To the Board of Directors  
Operation Turn Around, Inc.  
Minden, Louisiana

I have audited the financial statements of Operation Turn Around, Inc. as of and for the year ended December 31, 2006, and have issued my report thereon dated August 14, 2007. As part of the audit, I noted certain matters that I want to bring to the attention of management for consideration. I offer the following comments for the Organization's consideration:

1. Staff Training  
During my audit, I noted that staff responsible for fiscal recordkeeping were competent but could benefit greatly from training in grants accounting. The granting authorities who provided funds offer such training in various forms.
2. Proper Separation of Grant Funds  
During my audit, I noted that the separation of certain grant funds was not readily determined, especially in the case of funds for the Teen Pregnancy Prevention Program and the After School for All Program. These funds were both received from the Louisiana Department of Education as TANF funds and shared a bank account. Procedures should be implemented to separate these funds adequately for proper recordkeeping.
3. Employee Status Versus Independent Contractor Status  
It was noted during the audit that all staff people were designated as independent contractors and signed contracts indicating that status. Management should carefully review appropriate regulations of the Internal Revenue Code which list criteria for the determination of employee status.

This letter is intended for the information and use of the management of Operation Turn Around, Inc. and is not intended to be, and should not be, used by anyone other than management. Under Louisiana Revised Statute 24:513, this letter is distributed by the Legislative Auditor as a public document.

Sincerely,

A handwritten signature in black ink, appearing to read "Bobby Gray", with a large, sweeping flourish extending to the right.

Bobby Gray CPA

August 14, 2007



Community Based  
Abstinence Education

# Operation Turn Around

August 10, 2007

Steve J. Theriot, CPA, Legislative Auditor  
Office of Legislative Auditor  
State of Louisiana  
Baton Rouge, Louisiana 70804-9397

Bobby Gray, CPA  
P.O.B. 1145  
Grambling, La. 71245

**Ref:** Corrective actions to the independent audit report:

1. 2006-01 Audit Engagement and 2006-02 Annual Reporting Requirements (See Attachment) 12 month Meeting Agenda.
2. 2006-03 Control Over Disbursements (See Attachment) Internal Control Checklist #1.
3. 2006-04 Control Over Payroll (See Attachment) Internal Control Checklist #10.
4. 2006-05 Bank Statement Reconciliation (See Attachment) Internal Control Checklist #9.

  
Charles Sims  
Program Director

  
Rick Sims  
Accountant

## INTERNAL CONTROL CHECKLIST

|           |  |
|-----------|--|
| Program   |  |
| Date:     |  |
| Preparer: |  |

|     | Procedures  | Check | Initials |
|-----|---|-------|----------|
| 1.  | All disbursements have invoices and receipts that equal the amt of check  |       |          |
| 2.  | The bank account reconciliation has been performed within 2 weeks and agrees to the ledger report balance.  |       |          |
| 3.  | The total of unpaid bills is supported by a detailed listing.   |       |          |
| 4.  | The detailed listing of unpaid bills has been reviewed to determine if significant delinquencies exist.   |       |          |
| 5.  | The decrease in the Fund, if applicable, is consistent with budgeted expectations.  |       |          |
| 6.  | Actual expenditures have been compared to budgeted amounts and prior years actual. Any significant fluctuations have been investigated to our satisfaction. |       |          |
| 7.  | Actual revenues have been compared to budgeted amounts and prior year's actual. Any significant fluctuations have been investigated to our satisfaction.    |       |          |
| 8.  | Cash accounts appearing are consistent with the prior month. Differences have been explained to our satisfaction.   |       |          |
| 9.  | The bank reconciliations for all checking accounts have been reviewed and reconciled balances were agreed to the monthly report.                            |       |          |
| 10. | The payroll is accurately prepared and supported by appropriate documents   |       |          |
| 11. | Monthly Report accurately support the amounts reflected on the Statement of Financial Position and Statement of Revenues and Expenditures.                  |       |          |
| 12. | The net change in Accrued expenses, if applicable, has been reviewed and found to be representative of new expenses   |       |          |
| 13. | Individual charges to repairs and maintenance expense have been reviewed to ensure that it does not include capital expenditures.                           |       |          |

Where necessary, attach additional pages documenting the identification and resolution of matters not initially resolved to the accountant's satisfaction.

Upon completion of the above items, the accountant should consider the need to have the annual report reviewed by an outside auditor.

# **12-Month Meeting Agenda for the Finance** **Dept**

- June** ..... Complete the Annual Financial Report and forward Report to the Legislative Auditor.
- September**..... Presentation of the Annual Financial Report to Board of Directors
- October** ..... First Quarterly Review and Report
- November** ..... Department Meeting and Review
- December**..... Department Meeting Review
- January**..... Second Quarterly Review and Report
- February**..... Forward Financial Report to Auditor
- 
- By March 1st**            Department Meeting and Review
- April**..... Completion of Independent Audit
- First Week of May**..... Department Meeting and Review
- May** ..... Final Review Independent Audit
- June**..... Submit audited reports to Legislative Auditor



