

Financial Statements  
and Other Financial Information



**AIDS doesn't care who you are. We do.™**

Big Bend Cares, Inc.

*Years ended September 30, 2005 and 2004  
with Report of Independent Auditors*

Thomas Howell  
 Ferguson P.A.

Big Bend Cares, Inc.  
Financial Statements  
and Other Financial Information

Years ended September 30, 2005 and 2004

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## Report of Independent Auditors

The Board of Directors  
Big Bend Cares, Inc.

We have audited the accompanying statements of net assets of Big Bend Cares, Inc. (the "Corporation"), as of September 30, 2005 and 2004, and the related statements of activities, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation, as of September 30, 2005 and 2004, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2005, on our consideration of the Corporation's internal control over financial reporting and our 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 our 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 compliance. 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 our audits.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying schedule of functional expenses is also presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

*Thomas Howell Ferguson C.P.A.*

November 17, 2005

Big Bend Cares, Inc.

Statements of Net Assets

	September 30,	
	2005	2004
<b>Assets</b>		
Current assets:		
Cash	\$ 114,126	\$ 40,515
Certificates of deposit	101,025	200,898
Grants receivable	313,783	263,649
Medicaid waiver receivables	4,700	5,200
Prepaid expenses	19,905	10,757
Total current assets	<u>553,539</u>	<u>521,019</u>
Furniture and equipment, net ( <i>Note 2</i> )	844,612	842,845
Total assets	<u>\$ 1,398,151</u>	<u>\$ 1,363,864</u>
<b>Liabilities and net assets</b>		
Current liabilities:		
Accounts payable	\$ 64,188	\$ 40,192
Accrued wages	13,040	31,719
Accrued compensated absences	25,195	44,714
Current maturities of long-term debt ( <i>Note 5</i> )	38,254	29,295
Deferred revenues	9,410	4,900
Total current liabilities	<u>150,087</u>	<u>150,820</u>
Notes payable ( <i>Note 5</i> )	495,584	541,193
Net assets:		
Unrestricted	150,497	134,370
Unrestricted - Board designated ( <i>Note 6</i> )	601,983	537,481
Total net assets	<u>752,480</u>	<u>671,851</u>
Total liabilities and net assets	<u>\$ 1,398,151</u>	<u>\$ 1,363,864</u>

See accompanying notes.

Big Bend Cares, Inc.

Statements of Activities

	<b>Year ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Operating revenues</b>		
Grants and contracts:		
State of Florida	\$ 1,435,036	\$ 1,271,802
Leon County	-	21,912
City of Tallahassee	10,000	132,332
United Way	73,700	51,288
Other	-	15,000
Federal contracts	96,100	77,550
Contributions and fundraising	100,315	78,813
Gifts in-kind	59,275	65,749
Miscellaneous income	210	3,833
Total operating revenues	<u>1,774,636</u>	<u>1,718,279</u>
<b>Operating expenses</b>		
Program services	1,603,880	1,471,480
General and administrative	77,078	79,513
Fund raising	22,022	40,003
Total expenses	<u>1,702,980</u>	<u>1,590,996</u>
Operating income	71,656	127,283
<b>Nonoperating revenues (expenses)</b>		
Gain (loss) on disposal of equipment	3,808	(528)
Interest income	5,165	2,565
Total nonoperating revenues	<u>8,973</u>	<u>2,037</u>
Increase in net assets	80,629	129,320
Net assets at beginning of year	671,851	542,531
Net assets at end of year	<u>\$ 752,480</u>	<u>\$ 671,851</u>

*See accompanying notes.*

Big Bend Cares, Inc.

Statements of Cash Flows

	<b>Year ended September 30,</b>	
	<b>2005</b>	<b>2004</b>
<b>Operating activities</b>		
Increase in net assets	\$ 80,629	\$ 129,320
Adjustments to reconcile increase in net assets to cash provided by operating activities:		
Depreciation	32,114	36,757
Gain (loss) on disposal of assets	(3,808)	528
Changes in operating assets and liabilities:		
Grants receivable	(50,134)	(108,301)
Medicaid waiver receivables	500	300
Prepaid expenses	(9,148)	5,279
Accounts payable	23,996	(18,567)
Accrued wages	(18,679)	4,880
Accrued annual leave	(19,519)	(17,358)
Deferred revenue	4,510	4,900
Net cash provided by operating activities	<u>40,461</u>	<u>37,738</u>
<b>Investing activities</b>		
Proceeds from the maturity of certificates of deposit	200,898	-
Purchase of certificates of deposit	(101,025)	(200,898)
Purchase of property and equipment	(30,073)	(14,430)
Net cash provided by (used in) investing activities	<u>69,800</u>	<u>(215,328)</u>
<b>Financing activities</b>		
Principal payments on long-term debt	(36,650)	(29,512)
Net cash used in financing activities	<u>(36,650)</u>	<u>(29,512)</u>
Net increase (decrease) in cash and cash equivalents	73,611	(207,102)
Cash at beginning of year	40,515	247,617
Cash at end of year	<u>\$ 114,126</u>	<u>\$ 40,515</u>
<b>Supplemental disclosures of cash flow information</b>		
Cash paid for interest	<u>\$ 32,955</u>	<u>\$ 21,489</u>
<b>Other supplemental disclosures of noncash investing activities</b>		
Proceeds from investing activities related to trade in allowance of a fully depreciated asset	<u>\$ 4,000</u>	<u>\$ -</u>

See accompanying notes.

# Big Bend Cares, Inc.

## Notes to Financial Statements

Years ended September 30, 2005 and 2004

### 1. Summary of Significant Accounting Policies

#### Nature of Business

Big Bend Cares, Inc. (the "Corporation") is a nonprofit organization formed to provide education and comprehensive support to people infected with or affected by HIV/AIDS in the Big Bend region of Northwest Florida. The Corporation provides a variety of support activities, including information and referral, counseling, case management, patient care, housing supplements and community education. Screening, training, placement and coordination of community volunteers are provided to assist in the delivery of these services.

#### Basis of Accounting

The Corporation uses the accrual basis of accounting. The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as prescribed by the Financial Accounting Standards Board.

#### Cash

Cash includes demand deposits and money market accounts with a financial institution. These accounts and certificates of deposit (see below) are insured by the Federal Deposit Insurance Corporation ("FDIC") up to \$100,000. At September 30, 2005, the Corporation had deposits in excess of FDIC protection of \$188,094. Management believes that the risk is limited because the financial institution is large with a strong financial position.

For the purposes of the statement of cash flows, the Corporation considers all highly liquid financial instruments purchased with an original maturity of three months or less to be cash equivalents.

#### Investments

Investments consist of certificates of deposit with original maturities greater than three months. Certificates of deposit are stated at cost, which approximate fair value.

#### Property and Equipment

Property and equipment are recorded at cost. Donated property and equipment are recorded at the date of the gift unless the donor has restricted the donated asset to a specific purpose. Depreciation expense is computed using the straight-line and accelerated methods over the estimated useful lives as follows:

	<u>Useful Lives</u>
Office furniture and equipment	3 – 15 years
Building and building improvements	39 years
Automobiles	5 years

# Big Bend Cares, Inc.

## Notes to Financial Statements

### **1. Summary of Significant Accounting Policies (continued)**

#### **Revenue Recognition**

##### *Operating revenues*

Operating revenues consist principally of proceeds from cost reimbursement and fee for service state contracts. Revenues from these sources are recognized during the year in which the terms of the grant or contract are satisfied and the related services are provided. Also, see Note 4 regarding concentrations of revenue.

##### *Contributions*

Contributions and grants are recorded as unrestricted, temporarily restricted or permanently restricted when received, depending on the existence and/or nature of any donor restrictions. Contributions of donated noncash assets are recorded at their fair values in the period received.

Contributions and grants of cash and other assets are reported as temporarily restricted support if they are received with donor stipulations that limit the use and duration of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose of 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.

#### **Income Taxes**

Pursuant to a determination letter received from the Internal Revenue Service, the Corporation is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Accordingly, actual results could differ from those estimates.

# Big Bend Cares, Inc.

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies (continued)

#### Reclassification

Certain balances in the 2004 financial statements have been reclassified to conform to the current year presentation.

#### Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among programs and the supporting services benefited.

### 2. Furniture and Equipment

Furniture and equipment consists of the following:

	September 30,	
	2005	2004
Building	\$ 163,917	\$ 163,917
Building improvements	582,846	582,846
Land	90,000	90,000
Automobile	34,073	28,938
Office furniture and equipment	86,599	87,102
	<u>957,435</u>	<u>952,803</u>
Less accumulated depreciation	112,823	109,958
	<u>\$ 844,612</u>	<u>\$ 842,845</u>

If assets purchased with proceeds from grants are sold, a percentage of the proceeds must be returned to the grantor agency. This percentage is equal to the percentage of grant funds used to purchase the assets. For the year ended September 30, 2005, there were no proceeds subject to return.

### 3. Tax Sheltered Annuity Plan

The Corporation has a defined compensation arrangement covering substantially all employees. Under the arrangement, the Corporation contributes an amount elected by the employees as a salary deferral. Contributions are used to purchase tax-sheltered annuities as permitted by the Internal Revenue Code Section 403(b).

### 4. Concentrations

For the year ended September 30, 2005 and 2004, 76% and 70%, respectively, of the Corporation's operating revenue was derived through various contracts with the Florida Department of Health and Human Services. In the event these contracts are not renewed, the Corporation's ability to continue operations without interruption would be significantly affected.

# Big Bend Cares, Inc.

## Notes to Financial Statements

### 5. Notes Payable

Notes payable as of September 30, 2005, consist of the following:

Construction note payable to a bank collateralized by real property located in Tallahassee, Florida. Principal payments of \$4,701, including interest at 3.52%, are due monthly through November 12, 2008, at which time the remaining principal balance is due. \$ 533,838

Less: current portion 38,254  
\$ 495,584

The annual maturities of the note payable balance at September 30, 2005, are as follows:

<u>Year ended September 30,</u>	
2006	\$ 38,254
2007	39,622
2008	41,039
2009	<u>414,923</u>
	<u>\$ 533,838</u>

### 6. Designated Net Assets

The Board of Directors has designated a portion of the Corporation's unrestricted net assets as follows:

	<u>September 30,</u>	
	<u>2005</u>	<u>2004</u>
Emergency Program Services	\$ <b>241,870</b>	\$ 201,555
Emergency Building Fund	<b>213,649</b>	201,555
Future Capital Acquisitions	<b>146,464</b>	134,371
	<u>\$ <b>601,983</b></u>	<u>\$ 537,481</u>

## Other Financial Information

Big Bend Cares, Inc.

Schedule of Functional Expenses

	Year ended September 30,				2004
	2005			Total	
	Program Services	General and Administrative	Fund Raising		
Salaries and related expenses	\$ 689,995	\$ 53,077	\$ 15,165	\$ 758,237	\$ 683,542
Professional services	11,648	896	256	12,800	14,076
Promotions	8,910	685	196	9,791	5,722
Rent	1,274	98	28	1,400	175
Office expense	56,952	4,381	1,252	62,585	50,625
Interest	29,989	2,307	659	32,955	21,489
Volunteer service	4,594	-	-	4,594	1,837
Travel/transportation	52,212	4,016	1,148	57,376	35,795
Depreciation	29,224	2,248	642	32,114	36,757
Special events	10,067	774	221	11,062	9,768
Corporate insurance	9,802	754	215	10,771	10,253
Miscellaneous	13,232	1,018	289	14,539	39,225
Conference	7,345	565	161	8,071	6,321
Maintenance	12,182	937	268	13,387	13,879
Equipment	9,173	706	202	10,081	14,673
Direct assistance housing and utilities	103,735	-	-	103,735	124,070
Prevention education and advertising	12,707	-	-	12,707	10,293
Counseling	4,630	-	-	4,630	8,280
Medical and dental care	252,490	-	-	252,490	250,015
Nutritional services	1,650	-	-	1,650	1,870
Health insurance	46,294	-	-	46,294	31,495
Pharmaceuticals	106,142	-	-	106,142	116,807
Food bank	69,631	-	-	69,631	36,937
Membership dues/subscriptions	1,530	118	34	1,682	1,344
Gifts in-kind	53,940	4,149	1,186	59,275	65,748
Incentives	4,532	349	100	4,981	-
	<b>\$ 1,603,880</b>	<b>\$ 77,078</b>	<b>\$ 22,022</b>	<b>\$ 1,702,980</b>	<b>\$ 1,590,996</b>

See report of independent auditors.

## Other Reports

Report of Independent Auditors 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*

To the Board of Directors  
Big Bend Cares, Inc.

We have audited the financial statements of Big Bend Cares, Inc. (the "Corporation") as of and for the year ended September 30, 2005, and have issued our report thereon dated November 17, 2005. We conducted our 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 our audit, we considered the Corporation's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors of the Corporation, federal awarding agencies, pass through entities and management and is not intended to be and should not be used by anyone other than these specified parties.

*Thomas Howell Ferguson P.A.*

November 17, 2005

## Report of Independent Auditors on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133

To the Board of Directors  
Big Bend Cares, Inc.

### Compliance

We have audited the compliance of Big Bend Cares, Inc. (the "Corporation") with the types of compliance requirements described in the U. S. Office of Management and Budget ("OMB") Circular A-133, *Compliance Supplement*, that are applicable to each of its major federal programs for the year ended September 30, 2005. The 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 Corporation's management. Our responsibility is to express an opinion on the Corporation's compliance based on our audit.

We conducted our 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 we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Corporation's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Corporation's compliance with those requirements.

In our opinion, the 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 September 30, 2005.

## **Internal Control Over Compliance**

The management of the Corporation is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the 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 our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the board of directors, federal awarding agencies, pass through entities, and management and is not intended to be and should not be used by anyone other than those specified parties.

*Thomas Howell Ferguson P.A.*

November 17, 2005

Big Bend Cares, Inc.

Schedule of Expenditures of Federal Awards

For the year ended September 30, 2005

<u>Federal Agency and Program Title</u>	<u>CFDA</u>	<u>Contract Number</u>	<u>Expenditures</u>
<u>U.S. Department of Health and Human Services</u>			
Pass through Health Council of South Florida, Inc. AIDS Insurance Continuation Program	93.917	N/A	\$ 37,350
Pass through State of Florida Department of Health Ryan White Comprehensive AIDS Resources Emergency CARE, Title II	93.917	COAKR	382,738
Pass through State of Florida Department of Health Ryan White Comprehensive AIDS Resources Emergency CARE, Title II	93.917	COAQS	534,291
Pass through State of Florida Department of Health HIV Prevention Cooperative Agreement	93.940	COAOQ	125,381
Pass through State of Florida Department of Health Health Education Risk Reduction and Gadsden County Institute	93.940	COANK	34,378
Pass through State of Florida Department of Health Health Education Risk Reduction and Gadsden County Institute	93.940	COASU	11,276
Pass through State of Florida Department of Health Health Education Risk Reduction	93.940	COAGW	29,040
<u>U.S. Department of Housing &amp; Urban Development</u>			
Pass through City of Tallahassee Community Development Block Grant	14.218	N/A	10,000
Pass through State of Florida Department of Health Housing Opportunities for Persons with AIDS	14.241	COARY	46,479
Housing Opportunities for Persons with AIDS	14.241	COANS	116,475
			<u>\$ 1,327,408</u>

# Big Bend Cares, Inc.

## Schedule of Findings and Questioned Costs Relating to Federal Awards

Year ended September 30, 2005

**Section I -- Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	N/A
Noncompliance material to financial statements noted?	No

**Federal Awards**

Internal control over major programs:	
Material weakness(es) identified?	No
Reportable condition(s) identified not considered to be material weaknesses?	N/A
Type of auditor's report issued on compliance for major programs?	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133	No
Identification of major programs:	

<u>CFDA Number</u>	<u>Name of State Program</u>
93.917	Pass through State of Florida Department of Health Ryan White Comprehensive AIDS Resources Emergency CARE, Title II

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low risk auditee	No

**Section II -- Financial Statement Findings**

We noted no matters involving the internal control over financial reporting and its operation that we considered to be material weaknesses and we noted no matters of noncompliance that are required to be reported in accordance with *Government Auditing Standards* .

**Section III -- Federal Award Findings and Questioned Costs**

We noted no matters involving noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget Circular A-133.

**Section IV -- Other Matters**

Prior Audit Findings	See separate schedule
Management letter comments for fiscal year ended September 30, 2005	No

Big Bend Cares, Inc.

Summary Schedule of Prior Audit Findings

Year ended September 30, 2005

***04-01 CFDA# 93.917 Ryan White Comprehensive AIDS Resources Emergency CARE, Title II***

During our testing over compliance, we noted three out of 23 case files were lacking proper verifications of client's income. In Section III(E)(1) of the A-133 Compliance Supplement, it states that to receive assistance in the form of therapeutics, an individual must be a low-income individual, as defined by the State. Without the proper verification of income, the Corporation can not determine if the client meets this eligibility requirement. There were no questioned costs in relation to this finding. We recommend that the case files be reviewed on a consistent basis for inclusion of proper documentation.

Corrective action taken.

***04-02 CFDA# 93.917 Ryan White Comprehensive AIDS Resources Emergency CARE, Title II***

During our testing of the Monthly Case Management Reports and the Daily Client Service Records, we noted one out of five monthly Case Management Reports, and three Daily Client Service Records which supported the Monthly Case Management Reports were calculated incorrectly. OMB Circular A-87, Attachment A, Section C. Paragraph 1 states that for a cost to be allowable it must be adequately documented. There were no questioned costs in relation to this finding. We recommend that the Director of Client Services review these calculations and document the approval of the accuracy of the reports.

Corrective action taken.