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YOUTH DEVELOPMENT ASSOCIATION, INC.

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED JUNE 30, 2003

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 1.28.04

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Member
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Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Youth Development Association, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of the **Youth Development Association, Inc. (YDA)** (a non-profit corporation) as of June 30, 2003, and the related statements of activities, functional expenses and cash flows for the year then ended. These financial statements are the responsibility of **YDA's** management. Our responsibility is to express an opinion on these financial statements based on our audit.

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. 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 **YDA** as of June 30, 2003, and the changes in its net assets (deficit), and its statements of functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Youth Development Association, Inc.
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued our report dated October 24, 2003, on our consideration of YDA's internal control over financial reporting and our 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 our audit. Also, that report contained instances of noncompliance and a reportable condition.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2003

YOUTH DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

ASSETS

Cash (NOTE 11)	\$ 99,002
Grant receivable (NOTE 9)	68,103
Amounts receivable	<u>267</u>
 Total assets	 <u>\$167,372</u>

LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities

Accounts payable	\$ 26,111
Accrued payroll tax obligation	9,899
Refundable advances (NOTE 5)	53,055
Unearned grant (NOTE 13)	<u>101,000</u>

Total liabilities 190,065

Contingencies and Commitments (NOTES 6 AND 8)

Net Assets (Deficit)

Unrestricted (NOTE 10) (22,693)

Total net assets (deficit) (22,693)

Total liabilities and net assets (deficit) \$167,372

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

YOUTH DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003

Support and Revenues:

Support:

Governor's Office of Urban Affairs and Development	\$368,900
Department of Public Safety and Corrections	275,000
Department of Education	72,876
Department of Social Services	<u>23,609</u>

Total support 740,385

Revenues:

Interest income	249
Other income	2,351
Contributions and donations	<u>200</u>

Total revenues 2,800

Total support and revenues 743,185

Expenses:

Program services	639,185
Management and general	<u>109,499</u>

Total expenses 748,684

Change in net assets (5,499)

Net assets (deficit), beginning of year (17,194)

Net assets (deficit), end of year \$(22,693)

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

YOUTH DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2003

<u>EXPENSES</u>	<u>PROGRAM SERVICES</u>	<u>MANAGEMENT AND GENERAL</u>	<u>TOTAL</u>
Capital assets (NOTE 2)	\$ 1,500	\$ 2,374	\$ 3,874
Interest expense	1,750	-0-	1,750
Insurance	677	3,719	4,396
Rent	7,057	11,942	18,999
Office expenses and supplies	15,267	535	15,802
Other	4,254	279	4,533
Professional services and educational contracts	237,988	13,100	251,088
Salaries and wages	173,782	63,198	236,980
Employee benefits and payroll taxes	20,210	5,853	26,063
Postage and printing	225	818	1,043
Equipment rental, repairs and maintenance	3,999	2,603	6,602
Grants (NOTE 7)	172,312	-0-	172,312
Travel	150	650	800
Telephone	<u>14</u>	<u>4,428</u>	<u>4,442</u>
Total	<u>\$639,185</u>	<u>\$109,499</u>	<u>\$748,684</u>

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

YOUTH DEVELOPMENT ASSOCIATION, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2003

Cash Flows from Operating Activities:	
Change in net assets	\$ (5,499)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Decrease in grants receivable	113,247
Increase in amounts receivable	(267)
Decrease in accounts payable	(58,164)
Decrease in accrued payroll tax obligation	(184)
Decrease in refundable advances payable	(45,383)
Increase in unearned grant	<u>101,000</u>
Net cash provided by operating activities	<u>104,750</u>
Cash Flows from Financing Activities:	
Payments on line of credit	<u>(15,000)</u>
Cash used in financing activities	<u>(15,000)</u>
Net increase in cash	89,750
Cash, beginning of year	<u>9,252</u>
Cash, end of year	<u>\$ 99,002</u>
Interest paid during the year ended June 30, 2003	<u>\$ 1,750</u>

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

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Organization:

Background

The Youth Development Association, Inc. (YDA) was established on October 1, 1976. YDA is a private, non-profit corporation established to provide cultural, social, recreational and educational programs for youth.

As of June 30, 2003, YDA administered program activities funded by the State of Louisiana Governor's Office of Urban Affairs and Development, Department of Public Safety and Corrections, Department of Education, Department of Social Services, and the Louisiana Stadium and Exposition District.

YDA uses the funds received from the Governor's Office of Urban Affairs and Development to provide a multitude of programs designed to improve the overall quality of life of the residents of District 3 in Orleans Parish. The funds received from the Department of Public Safety and Corrections are used to provide delinquent prevention services to juveniles considered to be at high risk of involvement in the juvenile justice system.

The Louisiana Stadium and Exposition District funds are used for educational purposes to include the purchase of supplies to enhance existing programs that promote the academic, social, and emotional growth and development of youth. The funds are also used to contract with and support other qualified agencies with community programs that lead to measurable economic improvements in the targeted neighborhoods.

In addition, YDA uses the funds received from both the Departments of Education and Social Services to provide after-school teen pregnancy prevention activities for at-risk youth in Orleans Parish.

Income Tax

YDA is exempt from taxation under section 501(c)3 of the Internal Revenue Code. Therefore, no provision for income taxes is made in the accompanying financial statements.

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements of YDA are prepared in accordance with accounting principles generally accepted in the United States of America and on an accrual basis.

Basis of Reporting

Under Financial Accounting Standards Board's Financial Accounting Standard (FAS) No. 116, YDA must recognize contributions received as revenue, including unconditional promises to give, in the period received at their fair value. At the same time, contributions made, including unconditional promises to give, must be recognized as expenses in the period made at their fair value. At June 30, 2003, YDA received no promises.

FAS No. 117 establishes standards for external financial reporting by non-profit organizations and requires that resources be classified for accounting and reporting purposes into three net asset categories (i.e. unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets) according to externally (donor) imposed restrictions.

A description of the net asset categories is as follows:

Unrestricted Net Assets

Unrestricted net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the social, educational, and cultural missions of YDA are included in this category.

Temporarily Restricted Net Assets

Temporarily restricted net assets include realized gains and losses, investment income and gifts and contributions for which donor-imposed restrictions have not been met.

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Permanently Restricted Net Assets

Permanently restricted net assets are contributions which are required by donor-imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted net assets until utilized for donor-imposed restrictions.

At June 30, 2003, YDA did not have any temporarily or permanently restricted net assets.

Property and Equipment

Property and equipment purchases exceeding \$500, are recorded at historical cost. Donated assets are valued at estimated fair value on the date donated. Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. At June 30, 2003, there were no depreciable property and equipment. However, under its contractual agreements with the State of Louisiana, all property and equipment purchased with State funds, revert to the State at the termination of the contract. Accordingly, all such purchases are expensed in the year of acquisition.

Cash

For the purposes of the Statement of Cash Flows, YDA considers all investments purchased with an original maturity of three (3) months or less to be cash equivalents. At June 30, 2003, YDA had no cash equivalents.

Interprogram Activities

Interprogram activities have been eliminated at the combined financial statements level.

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Functional Allocation of Expenses

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

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. Actual results could differ from those estimates.

Contributed Services

Contribution of services is recognized if the services received create or enhance non-financial assets or require specialized skills, and would typically need to be purchased if not provided by donation. Contributed services for the year ended June 30, 2003 were \$-0-.

NOTE 3 - Fair Value of Financial Instruments:

The carrying amounts of cash, grant receivable, refundable advances and other payables, approximate their fair value because of the short maturities of these items.

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 4 - Risk Management:

YDA is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, for which **YDA** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 5 - Refundable Advances:

At June 30, 2003, refundable advances consisted of funds received from the Governor's Office of Urban Affairs and Development, Department of Public Safety and Corrections, Department of Education, and Department of Social Services from previous years that had not been fully expended. An analysis for the year ended June 30, 2003 follows:

Balance, July 1, 2002	\$ 98,438
Grant expenses	<u>(45,383)</u>
Balance, June 30, 2003	<u>\$ 53,055</u>

NOTE 6 - Subsequent Events:

Subsequent to year-end, **YDA** has executed contracts with funding sources for grants totaling \$622,818.

NOTE 7 - Grants:

Grants represent support provided by **YDA** to various entities primarily for the acquisition of books, scholarships as well as provide educational, cultural and recreational activities for youths.

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 8 - Contingencies and Commitments:

YDA is subject to possible examination by regulatory agencies who determine compliance with laws and regulations governing grants provided to YDA. These examinations may result in required refunds by YDA to the agencies.

NOTE 9 - Grant Receivable:

At June 30, 2003, grant receivable consisted of monies due from the Department of Public Safety and Corrections in the amount of \$68,103.

NOTE 10 - Deficit in General Program:

The deficit in the general program is due to penalties and interest assessed for insufficient deposits for tax payments, interest expense incurred in connection with the original line of credit and allocation of shared cost. Management continues to work on obtaining additional funding from other sources to meet these obligations.

NOTE 11 - Concentration of Credit Risk:

YDA receives all of its revenues from the Governor's Office of Urban Affairs and Development, the Department of Public Safety and Corrections, Department of Education, Department of Social Services, and the Louisiana Stadium and Exposition District. If the amount of grant revenues received from the above funding sources do not meet budgeted amount levels, YDA's operating results could be adversely affected.

YOUTH DEVELOPMENT ASSOCIATION, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Concentration of Credit Risk, Continued:

Financial instruments which potentially subject YDA to concentrations of credit risk, as defined by FAS No. 133, consist principally of cash. At June 30, 2003, YDA had deposits in a single financial institution totaling \$55,051 in excess of the federal depository insurance limit of \$100,000.

NOTE 12 - Leases:

YDA leases office space under two (2) operating leases both of which are on a month-to-month basis. Rental expense for the year ended June 30, 2003 was \$18,999.

NOTE 13 - Unearned Grant:

At June 30, 2003, unearned grant consisted of monies received from the Louisiana Stadium and Exposition District in the amount of \$101,000. YDA has been given a contract extension through February 2004 to expend the actual dollars associated with this grant.

SUPPLEMENTARY INFORMATION



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**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
Youth Development Association, Inc.
New Orleans, Louisiana

Our report on our audit of the financial statements of YDA appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis and is not a required part of the financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly presented in all material respects in relation to the financial statements taken as a whole.

The supplementary information (Exhibits I, II and III) is 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 audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

October 24, 2003

SCHEDULE J

YOUTH DEVELOPMENT ASSOCIATION, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2003

<u>Federal Grantor</u>	<u>CFDA Number</u>	<u>Expenditures</u>
Program funded by the U.S. Department of Health and Human Services (HHS) :		
Pass through State of Louisiana - Department of Education Temporary Assistance for Needy Families	93.558	\$72,876
Pass through State of Louisiana - Department of Social Services Temporary Assistance for Needy Families	93.558	23,609
Total		<u>\$96,485</u>

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of YDA and is presented on an accrual basis of accounting.

See Independent Auditors' Report on Supplementary Information.

EXHIBIT I

YOUTH DEVELOPMENT ASSOCIATION, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2003

	<u>STATE OF LOUISIANA</u>					
	<u>LOUISIANA STADIUM AND EXPOSITION DISTRICT</u>	<u>GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT</u>	<u>DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS</u>	<u>DEPARTMENT OF EDUCATION</u>	<u>DEPARTMENT OF SOCIAL SERVICES</u>	<u>TOTAL</u>
ASSETS						
Cash	\$3,934	\$ -0-	\$ -0-	\$2,728	\$ 922	\$108,584
Grant receivable	-0-	-0-	68,103	-0-	-0-	68,103
Amounts receivable	267	-0-	-0-	-0-	-0-	267
Interfund receivable	-0-	32,318	-0-	6,792	7,506	47,845
Total assets	<u>\$4,201</u>	<u>\$32,318</u>	<u>\$68,103</u>	<u>\$9,520</u>	<u>\$8,428</u>	<u>\$224,799</u>
LIABILITIES AND NET ASSETS (DEFICIT)						
Liabilities						
Accounts payable	\$ -0-	\$ 9,778	\$16,333	\$ -0-	\$ -0-	\$ 26,111
Accrued payroll tax obligation	9,899	-0-	-0-	-0-	-0-	9,899
Refundable advances	-0-	19,964	15,143	9,520	8,428	53,055
Unearned grant	-0-	-0-	-0-	-0-	-0-	101,000
Interfund payable	18,224	-0-	29,621	-0-	-0-	47,845
Bank overdraft	-0-	2,576	7,006	-0-	-0-	9,582
Total liabilities	<u>28,123</u>	<u>32,318</u>	<u>68,103</u>	<u>9,520</u>	<u>8,428</u>	<u>247,492</u>
Net assets (deficit)						
Unrestricted net assets (deficit)	<u>(23,922)</u>	-0-	-0-	-0-	-0-	<u>(22,693)</u>
Total net assets (deficit)	<u>(23,922)</u>	-0-	-0-	-0-	-0-	<u>(22,693)</u>
Total liabilities and net assets (deficit)	<u>\$ 4,201</u>	<u>\$32,318</u>	<u>\$68,103</u>	<u>\$9,520</u>	<u>\$8,428</u>	<u>\$224,799</u>

See Independent Auditors' Report on Supplementary Information.

EXHIBIT II

**YOUTH DEVELOPMENT ASSOCIATION, INC.
COMBINING STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2003**

	STATE OF LOUISIANA						
	LOUISIANA STADIUM AND EXPOSITION DISTRICT	GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT	DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS	DEPARTMENT OF EDUCATION	DEPARTMENT OF SOCIAL SERVICES	TOTAL	
<u>Support and Revenues</u>							
Department of Education	\$ -0-	\$ -0-	\$ -0-	\$ 72,876	\$ -0-	\$ 72,876	
Governor's Office of Urban Affairs and Development	-0-	368,900	-0-	-0-	-0-	368,900	
Department of Public Safety and Corrections	-0-	-0-	275,000	-0-	-0-	275,000	
Department of Social Services	-0-	-0-	-0-	-0-	23,609	23,609	
Interest income	249	-0-	-0-	-0-	-0-	249	
Contributions and donations	200	-0-	-0-	-0-	-0-	200	
Other income	<u>2,351</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>2,351</u>	
Total support and revenues	<u>2,800</u>	<u>368,900</u>	<u>275,000</u>	<u>72,876</u>	<u>23,609</u>	<u>743,185</u>	
<u>Expenses</u>							
Program services	8,299	307,975	226,426	72,876	23,609	639,185	
Management and general	<u>-0-</u>	<u>60,925</u>	<u>48,574</u>	<u>-0-</u>	<u>-0-</u>	<u>109,499</u>	
Total expenses	<u>8,299</u>	<u>368,900</u>	<u>275,000</u>	<u>72,876</u>	<u>23,609</u>	<u>748,684</u>	
Change in net assets	(5,499)	-0-	-0-	-0-	-0-	(5,499)	
Net assets (deficit), beginning of year	<u>(18,423)</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>	<u>(17,194)</u>	
Net assets (deficit), end of year	<u>\$(23,922)</u>	<u>\$ 1,229</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$(22,693)</u>	

See Independent Auditors' Report on Supplementary Information.

YOUTH DEVELOPMENT ASSOCIATION, INC.
 COMBINING STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2003

STATE OF LOUISIANA

	GENERAL PROGRAM		LOUISIANA STADIUM AND EXPOSITION DISTRICT		GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT		DEPARTMENT OF PUBLIC SAFETY AND CORRECTIONS		DEPARTMENT OF EDUCATION		DEPARTMENT OF SOCIAL SERVICES		TOTAL	
	PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL	PROGRAM SERVICES	MANAGEMENT AND GENERAL
Capital assets	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Interest expense	1,750	0	0	0	0	0	0	0	0	0	0	0	0	1,750
Insurance	178	0	0	0	3,220	499	499	0	499	0	0	0	0	1,750
Rent	32	0	0	0	6,183	5,749	0	1,875	0	0	2,650	0	0	877
Office expenses and supplies	39	0	0	0	535	0	3,505	0	7,241	0	4,482	0	0	7,057
Other	2,049	0	0	0	0	279	1,465	0	0	0	740	0	0	4,254
Professional services and educational contracts	0	0	0	0	9,800	3,300	117,880	12,575	0	0	900	0	0	13,100
Salaries and wages	0	0	0	0	31,115	32,083	95,665	47,312	0	0	12,430	0	0	173,782
Employee benefits and payroll taxes	4,251	0	0	0	2,034	3,819	7,711	3,335	0	0	2,257	0	0	20,210
Travel	0	0	0	0	500	150	0	0	0	0	150	0	0	150
Telephone	0	0	0	0	2,182	2,288	0	14	0	0	14	0	0	14
Postage and printing	0	0	0	0	415	403	200	25	0	0	0	0	0	225
Equipment rental, repairs and maintenance	0	0	0	0	2,577	26	0	0	0	0	0	0	0	3,899
Grants	0	0	0	0	0	0	0	0	0	0	0	0	0	172,312
Total expenses	\$ 5,299	\$ 0	\$ 0	\$ 0	\$ 60,925	\$ 48,574	\$ 226,426	\$ 72,876	\$ 0	\$ 23,609	\$ 0	\$ 0	\$ 0	\$ 639,185
														\$ 109,499

See Independent Auditors' Report on Supplementary Information.



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**INDEPENDENT AUDITORS' 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
Youth Development Association, Inc.
New Orleans, Louisiana

We have audited the financial statements of the **Youth Development Association, Inc. (YDA)** as of and for the year ended June 30, 2003, and have issued our report thereon dated October 24, 2003. 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.

Compliance

As part of obtaining reasonable assurance about whether **YDA'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Summary Schedule of Findings and Questioned Costs as items 2003-01 and 2003-03.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered YDA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect YDA's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Summary Schedule of Findings and Questioned Costs as item 2003-02.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weakness. However, we believe that the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting, which we have reported to the management of YDA in a separate letter dated October 24, 2003.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND
ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, the Governors' Office of Urban Affairs and Development, the Department of Public Safety and Corrections, the Department of Education, the Department of Social Services and the Louisiana Stadium and Exposition District and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2003

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2003

We have audited the financial statements of YDA as of and for the year ended June 30, 2003, and have issued our report thereon dated October 24, 2003. 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.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

a. Material weakness(es) identified? No

b. Reportable condition (s) identified
that are not considered to be material
weaknesses? Yes

Noncompliance material to financial
statements noted? No

Federal Awards

Internal Control Over Major Programs:

• Material weakness(es) identified? N/A*

• Reportable condition(s) identified
that are not considered to be
material weakness(es)? N/A*

Type of auditor's report issued on compliance
for major programs: N/A*

*Not Applicable

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section I - Summary of Auditors' Results, Continued

Federal Awards, Continued

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	N/A*
Identification of Major Program:	NONE
Dollar threshold used to distinguish between type A and type B programs:	N/A*
Auditee qualified as low-risk auditee?	N/A*

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section II - Financial Statement Findings and Questioned Costs

Reference Number

2003-01

Criteria

YDA's procurement policy states as follows:

“The public procurement of goods, services, and facilities will be conducted by use of one of three methods: an invitation to tender, a request for proposals, or a cooperative business solution”.

Condition

Our review of twenty-five (25) cash disbursements revealed seven (7) instances where the required documentation to support the basis and type of procurement process used for acquisition of certain items (i.e. requests for proposals, bids, telephone quotes, et cetera) and resulting conclusions were unavailable.

Questioned Costs

None.

Effect

Lack of an audit trail to support compliance with YDA's established procurement policy.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2003-01

Cause

Lack of an established procedure to ensure compliance with YDA's established procedures.

Recommendation

Management should institute the necessary procedures to facilitate the adequate planning, procurement, monitoring and evaluation of all goods and services subject to YDA's procurement policies. Furthermore, the procedure should ensure the adequate documentation of the basis and type of procurement process used.

Management's Response

Management will review its current practice to ensure that all future procurements will be documented in accordance with YDA's policy. Anticipated completion date is March 31, 2004.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2003-02

Criteria

The management of YDA is responsible for establishing and maintaining an effective internal control.

Condition

Our review of YDA's internal control activities involving cash and cash disbursements revealed the following conditions:

- YDA's banking relationship with one of its financial institution revealed at June 30, 2003, the lack of collateral for funds in excess of the \$100,000 Federal Depository Insurance Corporation (FDIC) insured amount resulting in an under collateralization of \$55,051.
- Noted no written lease agreements with two (2) off-site agencies housing after school programs to support cash disbursements in the amount of \$4,525.

Questioned Costs

\$4,525.

Effect

Potential risk of loss to cash and noncompliance with established cash disbursement procedures.

Cause

Lack of an adequate internal control system in place to monitor collateralization and to ensure that all cash disbursements are properly supported by invoices, lease agreements, contracts, et cetera.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2003-02

Recommendation

Management should implement the necessary procedures to ensure that cash in excess of the FDIC insured amount of \$100,000 is properly collateralized at all times. In addition, management should re-evaluate its current procedures regarding the internal control over cash disbursements to ensure that all disbursements are properly supported by invoices, lease agreements, contracts, et cetera prior to payment.

Management's Response

Management will immediately institute the necessary procedures to identify and address the proper collateralization of its accounts. In addition, all disbursements will be supported by the appropriate invoice, agreement, et cetera. Anticipated implementation date is January 31, 2004.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number

2003-03

Criteria

Louisiana Department of Public Safety and Corrections contract number 596936, Section II- Scope of Services, requires all participants to live in the area bounded by Lake Pontchartrain, Esplanade Avenue, Industrial Canal and the Mississippi River (East and West Banks) in Orleans Parish.

Condition

Our review of five (5) participant files revealed two (2) instances where participants lived outside the specified service area.

Questioned Costs

None.

Effect

Noncompliance with the requirements of Louisiana Department of Public Safety and Corrections contract number 596936.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section II - Financial Statement Findings and Questioned Costs, Continued

Reference Number, Continued

2003-03

Cause

Lack of adequate procedures in place to ensure that the applications of all potential participants are reviewed for compliance with the specified service area requirement prior to admittance to the program.

Recommendation

Management should implement the necessary procedures to ensure that the applications of all potential participants are reviewed for compliance with the specified service area requirement prior to admittance to the program.

Management's Response

Management is in the process of requesting an amendment to its current contract. The amendment will change the current requirement of living within the district to simply attending a participating school located within the district.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported for the year ended June 30, 2003.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings

Reference Numbers

2002-01 and 2001-01

Condition

The operation of YDA's internal control over financial reporting exhibited the following deficiencies:

- Subsidiary ledgers for significant general ledger accounts such as fixed assets, interfund activity, net assets, etc. are not maintained and/or reconciled to the applicable general ledger control accounts;
- Noted a discrepancy in an educational contract where the amount disbursed of \$10,500 exceeded the amount specified in the executed contract of \$6,500;
- Noted typographical errors in a rental lease agreement where the calculated rent amount per square feet and the typed written amount of \$1,500 per month differed from the stated monthly dollar amount of \$2,200 which represents the actual amount disbursed monthly;
- Noted no written lease agreements with four (4) off-site agencies housing after-school programs to support cash disbursements in the amount of \$20,684;
- Noted three (3) instances where YDA was unable to provide documentation to support cash disbursements in the amount of \$25,000 for educational grants provided to other non-profit organizations;

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Numbers, Continued
2002-01 and 2001-01

Condition, Continued

- Continued lack of segregation of custodial and recordation functions or enhanced management oversight of all financial activities in instances where segregation of the custodial and recordation functions is not practical due to the size of YDA's staff;
- Lack of effective physical custody over documents such as blank checks;
- Noted that only one official is currently necessary to authorize checks evidencing a weakness in the cash disbursement function;
- Thirteen (13) instances where mathematical verification of the invoiced amounts was not performed by personnel for YDA; and
- One (1) instance in the amount of \$2,000 where insufficient documentation was provided to support actual disbursement.

Current Status

Partially resolved. See current year finding reference number 2003-02 for repeated conditions. Management anticipates resolution of the remaining items by no later than March 31, 2004.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV- Status of Prior Years' Findings, Continued

Reference Number

2002-02

Condition

Our review of twenty-four (24) cash disbursements revealed four (4) instances amounting to \$36,758, where the required documentation to support the basis and type of procurement process used for acquisition of certain items (i.e. requests for proposals, bids, telephone quotes, et cetera) and resulting conclusions were unavailable.

Current Status

Unresolved. See current year finding reference number 2003-01 for repeated conditions.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2002-03

Condition

Our review of the internal control over bank reconciliations revealed the following conditions:

- Untimely preparation of bank account reconciliations; and
- Noted a net cumulative out of balance condition of \$ 3,052 between the general ledger and reconciled amounts as of June 30, 2002, on bank account reconciliations for the Payroll, Urban Affairs, and TANF 2 accounts.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2002-04

Condition

The June 30, 2002, audited financial statements and reports for YDA were not submitted within the timeframe dictated by Louisiana Revised Statute 24:513.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2002-05

Condition

Our review of budget revision reports detailing administrative and programmatic financial activities revealed that YDA over spent in the capital improvements budget line item by \$29,000 for the erection of a greenhouse building.

We noted that the total expenses incurred for the year ended June 30, 2002, was approximately \$230,000 to the grant award amount of \$250,000.

Current Status

Ultimate resolution of this finding is dependent on YDA's funding agency.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2001-04

Condition

As a result of the nature and timing of cash flow from its respective funding sources, YDA undertakes a significant amount of transactions which should result in the recordation of interfund activities. Our review of such transactions revealed the lack of an audit trail to ensure the adequate and timely recordation of all interfund activities.

Current Status

Resolved.

Reference Number

2001-05

Condition

Currently, all records and documents for YDA are stored on site or with its fee accountant.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Number

1997-07 and 00-02

Condition

Agreement of cost reports to internal records.

Current Status

Resolved.

Reference Number

2000-03

Condition

Weakness over financial reporting.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Section IV - Status of Prior Years' Findings, Continued

Reference Number

1997-02

Condition

Preparation of monthly bank reconciliation.

Current Status

Resolved.

**YOUTH DEVELOPMENT ASSOCIATION, INC.
EXIT CONFERENCE**

An exit conference was held with a representative of **Youth Development Association, Inc.** The contents of this report were discussed and management indicated their concurrence in all material respects. Those individuals who participated in this and previous discussions are as follows:

YOUTH DEVELOPMENT ASSOCIATION, INC.

Ms. Bridgette Joseph -- Executive Director

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Paul K. Andoh, Sr., CPA, CGFM -- Partner
Mrs. Latona Thomas, CPA -- Senior
Mr. Victor Robinson -- In-Charge Accountant



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

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT

To the Board of Directors
Youth Development Association, Inc.

In planning and performing our audit of the financial statements of the **Youth Development Association, Inc. (YDA)** as of and for the year ended June 30, 2003, we considered YDA's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal control and operating efficiency. We previously reported on YDA's internal control in our report dated October 24, 2003. This letter does not affect our report dated October 24, 2003, on the financial statements of YDA.

We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with YDA's personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT
(CONTINUED)

The following summarizes the suggestions regarding these matters:

Condition

Bank accounts were opened and/or closed without specific board approval that included the type and nature of account.

Recommendation

Considering the size of YDA and the need for enhanced board oversight, we recommend that all bank accounts opened and/or closed in YDA's name should be specifically approved by the board in advance. The approval should include the type and nature of account.

Management's Response

We concur with the recommendation.

Condition

No formal written policy relative to the (business and unbusiness) use and monitoring of cellular telephone charges.

Recommendation

We recommend that management establish the necessary policies and procedures to ensure that only authorized cellular telephone charges are charged to and subsequently paid for by YDA.

Management's Response

A policy will be implemented by no later than March 31, 2004.

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT
(CONTINUED)

Condition

No formal documented board meetings were held during the audit period.

Recommendation

We recommend that all board meetings are documented and maintained via minutes or summaries of such meetings.

Management's Response

Management concurs and will effective immediately comply with the recommendation.

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR'S COMMENTS

Condition

Shared costs are not being allocated to the various programs managed by YDA on a consistent basis.

Current Status

Resolved.

Condition*

YDA has no formal policy regarding the evaluation and subsequent approval of educational grants and donations to include board of directors. Currently, all requests for educational grants and donations are reviewed and approved by the Executive Director.

Current Status

Unresolved. Management anticipates resolution by no later than April 30, 2004.

Condition*

Considering the size of YDA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of YDA's assets.

Current Status

Management of YDA continues to participate in key activities of the internal control process in an effort to safeguard YDA's assets.

*Repeated

INDEPENDENT AUDITORS' COMMENT TO MANAGEMENT
(CONTINUED)

We wish to thank you and your staff for the support afforded us during our audit.

This report is intended solely for the information and use of the Board of Directors, management, Legislative Auditor for the State of Louisiana, the Governors' Office of Urban Affairs and Development, the Department of Public Safety and Corrections, the Department of Social Services, and the Department of Education and is not intended to be and should not be used by anyone other than those specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

October 24, 2003

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

2003-01

Criteria

YDA's procurement policy states as follows:

“The public procurement of goods, services, and facilities will be conducted by use of one of three methods: an invitation to tender, a request for proposals, or a cooperative business solution”.

Condition

Our review of twenty-five (25) cash disbursements revealed seven (7) instances where the required documentation to support the basis and type of procurement process used for acquisition of certain items (i.e. requests for proposals, bids, telephone quotes, et cetera) and resulting conclusions were unavailable.

Questioned Costs

None.

Effect

Lack of an audit trail to support compliance with YDA's established procurement policy.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number, Continued

2003-01

Cause

Lack of an established procedure to ensure compliance with YDA's established procedures.

Recommendation

Management should institute the necessary procedures to facilitate the adequate planning, procurement, monitoring and evaluation of all goods and services subject to YDA's procurement policies. Furthermore, the procedure should ensure the adequate documentation of the basis and type of procurement process used.

Management's Response

Management will review its current practice to ensure that all future procurements will be documented in accordance with YDA's policy. Anticipated completion date is March 31, 2004.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

2003-02

Criteria

The management of YDA is responsible for establishing and maintaining an effective internal control.

Condition

Our review of YDA's internal control activities involving cash and cash disbursements revealed the following conditions:

- YDA's banking relationship with one of its financial institution revealed at June 30, 2003, the lack of collateral for funds in excess of the \$100,000 Federal Depository Insurance Corporation (FDIC) insured amount resulting in an under collateralization of \$55,051.
- Noted no written lease agreements with two (2) off-site agencies housing after school programs to support cash disbursements in the amount of \$4,525.

Questioned Costs

\$4,525.

Effect

Potential risk of loss to cash and noncompliance with established cash disbursement procedures.

Cause

Lack of an adequate internal control system in place to monitor collateralization and to ensure that all cash disbursements are properly supported by invoices, lease agreements, contracts, et cetera.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number, Continued

2003-02

Recommendation

Management should implement the necessary procedures to ensure that cash in excess of the FDIC insured amount of \$100,000 is properly collateralized at all times. In addition, management should re-evaluate its current procedures regarding the internal control over cash disbursements to ensure that all disbursements are properly supported by invoices, lease agreements, contracts, et cetera prior to payment.

Management's Response

Management will immediately institute the necessary procedures to identify and address the proper collateralization of its accounts. In addition, all disbursements will be supported by the appropriate invoice, agreement, et cetera. Anticipated implementation date is January 31, 2004.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

2003-03

Criteria

Louisiana Department of Public Safety and Corrections contract number 596936, Section II- Scope of Services, requires all participants to live in the area bounded by Lake Pontchartrain, Esplanade Avenue, Industrial Canal and the Mississippi River (East and West Banks) in Orleans Parish.

Condition

Our review of five (5) participant files revealed two (2) instances where participants lived outside the specified service area.

Questioned Costs

None.

Effect

Noncompliance with the requirements of Louisiana Department of Public Safety and Corrections contract number 596936.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number, Continued

2003-03

Cause

Lack of adequate procedures in place to ensure that the applications of all potential participants are reviewed for compliance with the specified service area requirement prior to admittance to the program.

Recommendation

Management should implement the necessary procedures to ensure that the applications of all potential participants are reviewed for compliance with the specified service area requirement prior to admittance to the program.

Management's Response

Management is in the process of requesting an amendment to its current contract. The amendment will change the current requirement of living within the district to simply attending a participating school located within the district.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Numbers

2002-01 and 2001-01

Condition

The operation of YDA's internal control over financial reporting exhibited the following deficiencies:

- Subsidiary ledgers for significant general ledger accounts such as fixed assets, interfund activity, net assets, etc. are not maintained and/or reconciled to the applicable general ledger control accounts;
- Noted a discrepancy in an educational contract where the amount disbursed of \$10,500 exceeded the amount specified in the executed contract of \$6,500;
- Noted typographical errors in a rental lease agreement where the calculated rent amount per square feet and the typed written amount of \$1,500 per month differed from the stated monthly dollar amount of \$2,200 which represents the actual amount disbursed monthly;
- Noted no written lease agreements with four (4) off-site agencies housing after-school programs to support cash disbursements in the amount of \$20,684;
- Noted three (3) instances where YDA was unable to provide documentation to support cash disbursements in the amount of \$25,000 for educational grants provided to other non-profit organizations;

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Numbers, Continued

2002-01 and 2001-01

Condition, Continued

- Continued lack of segregation of custodial and recordation functions or enhanced management oversight of all financial activities in instances where segregation of the custodial and recordation functions is not practical due to the size of YDA's staff;
- Lack of effective physical custody over documents such as blank checks;
- Noted that only one official is currently necessary to authorize checks evidencing a weakness in the cash disbursement function;
- Thirteen (13) instances where mathematical verification of the invoiced amounts was not performed by personnel for YDA; and
- One (1) instance in the amount of \$2,000 where insufficient documentation was provided to support actual disbursement.

Current Status

Partially resolved. See current year finding reference number 2003-02 for repeated conditions. Management anticipates resolution of the remaining items by no later than March 31, 2004.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

2002-02

Condition

Our review of twenty-four (24) cash disbursements revealed four (4) instances amounting to \$36,758, where the required documentation to support the basis and type of procurement process used for acquisition of certain items (i.e. requests for proposals, bids, telephone quotes, et cetera) and resulting conclusions were unavailable.

Current Status

Unresolved. See current year finding reference number 2003-01 for repeated conditions.

Reference Number

2002-03

Condition

Our review of the internal control over bank reconciliations revealed the following conditions:

- Untimely preparation of bank account reconciliations; and
- Noted a net cumulative out of balance condition of \$ 3,052 between the general ledger and reconciled amounts as of June 30, 2002, on bank account reconciliations for the Payroll, Urban Affairs, and TANF 2 accounts.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

2002-04

Condition

The June 30, 2002, audited financial statements and reports for **YDA** were not submitted within the timeframe dictated by Louisiana Revised Statute 24:513.

Current Status

Resolved.

Reference Number

2002-05

Condition

Our review of budget revision reports detailing administrative and programmatic financial activities revealed that **YDA** over spent in the capital improvements budget line item by \$29,000 for the erection of a greenhouse building.

We noted that the total expenses incurred for the year ended June 30, 2002, was approximately \$230,000 to the grant award amount of \$250,000.

Current Status

Ultimate resolution of this finding is dependent on **YDA's** funding agency.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

2001-04

Condition

As a result of the nature and timing of cash flow from its respective funding sources, YDA undertakes a significant amount of transactions which should result in the recordation of interfund activities. Our review of such transactions revealed the lack of an audit trail to ensure the adequate and timely recordation of all interfund activities.

Current Status

Resolved.

Reference Number

2001-05

Condition

Currently, all records and documents for YDA are stored on site or with its fee accountant.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

1997-07 and 00-02

Condition

Agreement of cost reports to internal records.

Current Status

Resolved.

Reference Number

2000-03

Condition

Weakness over financial reporting.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
SUMMARY SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2003

Reference Number

1997-02

Condition

Preparation of monthly bank reconciliation.

Current Status

Resolved.

YOUTH DEVELOPMENT ASSOCIATION, INC.
MANAGEMENT LETTER COMMENTS

Condition

Bank accounts were opened and/or closed without specific board approval that included the type and nature of account.

Recommendation

Considering the size of YDA and the need for enhanced board oversight, we recommend that all bank accounts opened and/or closed in YDA's name should be specifically approved by the board in advance. The approval should include the type and nature of account.

Management's Response

We concur with the recommendation.

Condition

No formal written policy relative to the (business and unbusiness) use and monitoring of cellular telephone charges.

Recommendation

We recommend that management establish the necessary policies and procedures to ensure that only authorized cellular telephone charges are charged to and subsequently paid for by YDA.

Management's Response

A policy will be implemented by no later than March 31, 2004.

**YOUTH DEVELOPMENT ASSOCIATION, INC.
MANAGEMENT LETTER COMMENTS, CONTINUED**

Condition

No formal documented board meetings were held during the audit period.

Recommendation

We recommend that all board meetings are documented and maintained via minutes or summaries of such meetings.

Management's Response

Management concurs and will effective immediately comply with the recommendation.

**YOUTH DEVELOPMENT ASSOCIATION, INC.
MANAGEMENT LETTER COMMENTS, CONTINUED**

STATUS OF PRIOR YEAR'S COMMENTS

Condition

Shared costs are not being allocated to the various programs managed by YDA on a consistent basis.

Current Status

Resolved.

Condition

YDA has no formal policy regarding the evaluation and subsequent approval of educational grants and donations to include board of directors. Currently, all requests for educational grants and donations are reviewed and approved by the Executive Director.

Current Status

Unresolved. Management anticipates resolution by no later than April 30, 2004.

Condition

Considering the size of YDA, the important elements of internal control and segregation of duties cannot always be achieved to insure adequate protection and safeguarding of YDA's assets.

Current Status

Management of YDA continues to participate in key activities of the internal control process in an effort to safeguard YDA's assets.