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MIDDLE SCHOOL ADVOCATES, INC.

FINANCIAL AND COMPLIANCE AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED JUNE 30, 1999

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the audited, or reviewed, 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.

**Bruno
& Tervalon**

CERTIFIED PUBLIC ACCOUNTANTS Release Date _____

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
Middle School Advocates, Inc.
New Orleans, Louisiana

We have audited the accompanying general purpose financial statements of the **Middle School Advocates, Inc. (MSA) (A Nonprofit Organization)**, as of and for the year ended June 30, 1999, as listed in the Table of Contents. These general purpose financial statements are the responsibility of **MSA's** management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that 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.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors of
Middle School Advocates, Inc.
New Orleans, Louisiana
Page 2

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the **Middle School Advocates, Inc.**, as of June 30, 1999, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 5, 1999 on our consideration of MSA's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

November 5, 1999

MIDDLE SCHOOL ADVOCATES, INC.
COMBINED BALANCE SHEET - GOVERNMENTAL FUND TYPE
AND ACCOUNT GROUP
JUNE 30, 1999

	<u>GOVERNMENTAL FUND TYPE</u> General	<u>ACCOUNT GROUP</u> General Fixed Assets	Totals (Memorandum Only)
<u>ASSETS</u>			
Cash (NOTES 2(E) and 3)	\$ 33,183	\$ -0-	\$ 33,183
Due from OPSB (NOTE 6)	298,798	-0-	298,798
Grant receivables	22,500	-0-	22,500
Furniture and equipment (NOTE 4)	<u>-0-</u>	<u>13,554</u>	<u>13,554</u>
Total assets	<u>\$354,481</u>	<u>\$13,554</u>	<u>\$368,035</u>
<u>LIABILITIES, EQUITY AND OTHER CREDIT</u>			
Liabilities:			
Bank overdraft	\$ 9,552	\$ -0-	\$ 9,552
Accounts payable and accrued liabilities	22,969	-0-	22,969
Deferred revenue	<u>9,000</u>	<u>-0-</u>	<u>9,000</u>
Total liabilities	<u>41,521</u>	<u>-0-</u>	<u>41,521</u>
Equity and Other Credit:			
Investment in general fixed assets	-0-	13,554	13,554
Fund balance-unreserved, undesignated	<u>312,960</u>	<u>-0-</u>	<u>312,960</u>
Total equity and other credit	<u>312,960</u>	<u>13,554</u>	<u>326,514</u>
Total liabilities, equity and other credit	<u>\$354,481</u>	<u>\$13,554</u>	<u>\$368,035</u>

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

MIDDLE SCHOOL ADVOCATES, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-GOVERNMENTAL FUND TYPE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999

REVENUES (NOTE 2(I))

From Local Sources:

Contributions	\$ 46,496
Private grants	28,196
Other	<u>1,514</u>

Total revenues from local sources 76,206

From State Sources:

OPSB funding	1,266,000
Grant	<u>22,500</u>

Total revenues from state sources 1,288,500

Total revenues 1,364,706

EXPENDITURES

Instruction:

Regular	432,466
Special	<u>34,062</u>

Total instruction expenditures 466,528

Support Services:

Pupil	30,832
School administration	264,222
Business services	28,541
Plant	149,600
Student transportation	<u>112,023</u>

Total support services 585,218

Total expenditures 1,051,746

Excess of revenues over expenditures 312,960

Fund balance at beginning of year -0-

Fund balance at end of year \$ 312,960

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

MIDDLE SCHOOL ADVOCATES, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE-BUDGET (GAAP BASIS) AND
ACTUAL-GOVERNMENTAL FUND TYPE-GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 1999

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
<u>REVENUES</u>			
From Local Sources:			
Contributions	\$ 40,000	\$ 46,496	\$ 6,496
Private grants	86,000	28,196	(57,804)
Other	<u>-0-</u>	<u>1,514</u>	<u>1,514</u>
Total revenues from local sources	<u>126,000</u>	<u>76,206</u>	<u>(49,794)</u>
From State Sources:			
OPSB funding	1,251,300	1,266,000	14,700
Grant	<u>22,500</u>	<u>22,500</u>	<u>-0-</u>
Total revenues from state sources	<u>1,273,800</u>	<u>1,288,500</u>	<u>14,700</u>
Total revenues	<u>1,399,800</u>	<u>1,364,706</u>	<u>(35,094)</u>
<u>EXPENDITURES</u>			
Instruction:			
Regular	494,946	432,466	62,480
Special	<u>35,081</u>	<u>34,062</u>	<u>1,019</u>
Total instruction expenditures	<u>530,027</u>	<u>466,528</u>	<u>63,499</u>
Support Services:			
Pupil	147,950	30,832	117,118
School administration	326,442	264,222	62,220
Business services	85,749	28,541	57,208
Plant	161,865	149,600	12,265
Student transportation	<u>116,360</u>	<u>112,023</u>	<u>4,337</u>
Total support services	<u>838,366</u>	<u>585,218</u>	<u>253,148</u>
Total expenditures	<u>1,368,393</u>	<u>1,051,746</u>	<u>316,647</u>
Excess of revenues over expenditures	31,407	312,960	281,553
Fund balance at beginning of year	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
Fund balance at end of year	<u>\$ 31,407</u>	<u>\$ 312,960</u>	<u>\$281,553</u>

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

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS
JUNE 30, 1999

NOTE 1 - Introduction:

The Orleans Parish School Board, (OPSB) authorized by the Charter School Demonstration's Programs Law, granted a charter to **Middle School Advocates, Inc. (MSA)**, the sponsor, for the creation of the **New Orleans Charter Middle School (the School)**. **MSA** is a nonprofit organization organized under the laws of the State of Louisiana and is exempt from taxation under Section 501(c)(3) of the Internal Revenue Code. Although **the School** is the responsibility of **MSA**, it is recognized as a component unit of the OPSB. The charter is valid for an initial period of five (5) years commencing on July 1, 1998 and ending on June 30, 2003 subject to renewal after the five (5) year period.

The School's primary role is to provide a high quality education for the students it serves by attending to the students' social and emotional development, thus providing a foundation for success in a challenging academic program. **The School** will also expose students to a range of experiences designed to develop them as individuals and to nurture a sense of membership in a school community where they feel supported and learn mutual responsibility.

NOTE 2 - Summary of Significant Accounting Policies:

The accounting policies of **MSA** conform to generally accepted governmental accounting principles as applicable to nonprofit organizations as established under the Revised Louisiana Charter School Law. The following is a summary of the more significant policies:

A) Basis of Presentation - Fund Accounting

The accounts of **MSA** are organized on the basis of funds or account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures, as appropriate. Resources are allocated to and accounted for in the individual funds based upon the purposes for which they are to be spent and the means by which spending activities are

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

A) Basis of Presentation - Fund Accounting, Continued

controlled. The following fund type and account group are used by **MSA**.

Government Fund Type

Governmental funds are those through which most governmental functions of **MSA** are financed. The acquisition, use, and balances of **MSA**'s expendable financial resources and the related liabilities are accounted for through governmental funds. The measurement focus is upon determination of financial position and changes in financial position, rather than upon net income determination. The following is **MSA**'s governmental fund type:

General Fund - The General Fund is the general operating fund of **MSA** and accounts for all revenues and expenditures of **MSA** not encompassed within other funds.

General operating expenditures and the capital improvement costs that are not paid through other funds are paid from the General Fund.

Account Group

General Fixed Assets Account Group - This group is established to account for all fixed assets of **MSA**.

B) Basis of Accounting

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a current financial resources measurement focus.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

B) Basis of Accounting, Continued

With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The modified accrual basis of accounting is followed by the governmental fund types and the agency fund. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures, other than interest on long-term debt, are recorded when the related fund liability is incurred, if measurable.

Grant funds are considered to be earned to the extent of expenditures *made under the provisions of the grant*; and, accordingly, when such funds are received, they are recorded as deferred revenues until earned.

Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned since they are measurable and available.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

B) Basis of Accounting, Continued

Allowance for uncollectible receivables are recorded as necessary. At June 30, 1999, no provision had been recorded.

C) Reporting Entity

The School is a component unit of the Orleans Parish School Board, the reporting entity, as defined by the Governmental Accounting Standards Board pronouncement. The accompanying financial statements present information only on the funds and account groups maintained by **the School** and do not present information on the Orleans Parish School Board, the general government services provided by that governmental unit, or the other governmental units that comprise the financial reporting entity.

D) Budgetary Data

MSA employs the following procedures in establishing the budgetary data recorded in the general purpose financial statements:

1. The Director, in consultation with the staff, prepares **the School's** annual operating budget. The budget is based on the expected OPSB allocated revenues and other projected revenues for pupil expenditures.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

D) Budgetary Data, Continued

2. The Director presents the budget to **MSA's** Finance Committee for review and revision.
3. The Director and members of the Finance Committee present the proposed budget at an open meeting of the full Board. The Director gives advance notice to the OPSB's Superintendent of this meeting and provides the OPSB's Superintendent with a copy of the proposed budget with that notice.
4. The Board of Directors adopts the operating budget by May 1 of each year.
5. The final adopted budget is sent to the OPSB within five (5) days after its adoption.
6. The Director is authorized to reallocate budgeted items within line items, but may not increase the total amount authorized. If, during the course of the fiscal year, it becomes evident that the estimated revenues, expenditures or beginning fund balance may vary five (5) percent or more from the amount originally budgeted, then the Director shall inform **MSA's** Board of such variance. Based on the information submitted, the Board of Directors of **MSA** will adopt an amended budget and will seek ways to generate additional revenues for **the School**, if necessary.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

E) Cash

Cash includes amounts in demand deposits and interest-bearing demand deposits. Under state law, **MSA** may deposit funds in demand deposits, interest-bearing demand deposits, money market accounts, or time deposits with state banks organized under Louisiana law and national banks having their principal offices in Louisiana.

F) Fixed Assets

Fixed assets include furniture and equipment that have a cost of \$300 or more and have a useful life of more than one (1) year.

Fixed assets are recorded as expenditures at the time purchased, and the related assets are capitalized (reported) in the general fixed assets account group. Fixed assets are reported at historical cost or, if the cost is not practicably determinable, at estimated historical cost. In accordance with generally accepted accounting principles, no provision is made for depreciation of such assets in the General Fixed Assets Account Group.

The School's facility was leased by the OPSB during the school year and the cost of the lease was reimbursed by **MSA** to the OPSB.

G) Total Column on the Combined Balance Sheet

The total column on the combined balance sheet is captioned "Memorandum Only" to indicate that it is presented only to facilitate financial analysis. The data in this column does not present the financial position in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

H) Compensated Absences

Vacation Leave

Vacation for full-time staff is accrued on a monthly basis. Staff receives two (2) weeks annual vacation at five-sixths ($5/6$) of a day per month for the first three (3) years of employment. After three (3) years, staff receives three (3) weeks of vacation, accrued at one and one quarter (1.25) days per month.

Staff members may carryover and accumulate vacation up to twenty (20) days. Vacation over 20 days will not accumulate and staff members will not be paid for these days if they are not used in the year they are earned. Upon leaving the employ of **MSA**, staff members will be paid for accumulated and unused vacation days up to twenty (20) days.

Paid Leave

Employees utilize earned or accrued leave in the event of their own illness, a family illness, bereavement, or for personal business. Such paid leave may be used for the purpose of visiting doctors, dentists or other recognized practitioners. Employees may also use paid leave for the above reasons when it relates to immediate family members only. Unused paid leave can be carried over and accumulated up to 180 hours (30) days; however, **MSA** will not pay the employee for accrued and unused paid leave upon termination from employment.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies, Continued:

I) Funding Sources

OPSB Funding

Subject to the provisions contained in the charter, **MSA** receives funding from the Orleans Parish School Board in an amount for each pupil based on the average daily membership in **the School** that is equal to the average current operating expenditure per pupil received by OPSB pursuant to the most recent legislatively approved Minimum Foundation Program formula, including appropriate weighted factors, and from other revenue sources expended by OPSB on schools of the same grades within its system.

Other Funding

Other revenues received by **MSA** consist of contributions, private and public grants and enrichment fees which are used for educational purposes at the discretion of **MSA**.

J) Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures 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.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 2 - Summary of Significant Accounting Policies. Continued:

K) Assets Purchased with Public Funds

If the charter agreement of the School is revoked or the School otherwise ceases to operate, all assets purchased with any public funds become the property of the OPSB.

NOTE 3 - Cash:

At June 30, 1999, MSA has cash (book balances) totaling \$23,631. These deposits are stated at cost, which approximates market. Under state law, these deposits (or the resulting bank balances) must be secured by Federal deposit insurance or the pledge of securities owned by the fiscal agent bank. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held in the name of the pledging fiscal agent bank in a holding or custodial bank that is mutually acceptable to both parties. At June 30, 1999, MSA has \$35,612 in deposits (collected bank balances). These deposits are secured from risk by \$100,000 of federal deposit insurance.

NOTE 4 - Furniture and Equipment:

A summary of changes in general fixed assets for fiscal year 1999 is as follows:

	<u>Balance July 1, 1998</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 1999</u>
Furniture and equipment	<u>\$-0-</u>	<u>\$13,554</u>	<u>\$-0-</u>	<u>\$13,554</u>
Total	<u>\$-0-</u>	<u>\$13,554</u>	<u>\$-0-</u>	<u>\$13,554</u>

At July 1, 1998, the OPSB transferred \$6,983 of furniture and equipment to MSA, which are included in additions for the 1999 fiscal year.

MIDDLE SCHOOL ADVOCATES, INC.
NOTES TO THE GENERAL PURPOSE FINANCIAL STATEMENTS, CONTINUED
JUNE 30, 1999

NOTE 5 - Pension Plan:

MSA has a 403(b) deferred compensation plan covering substantially all employees. Covered employees may elect to contribute up to 20% of their salaries. **MSA** elects to contribute 6% of covered employees' salaries as pension contributions. **MSA's** contributions were \$13,647 for the 1999 fiscal year.

NOTE 6 - Due from OPSB:

Amounts due from Orleans Parish School Board (OPSB) consist of receivables for funding allocations based on provisions in the charter, net of OPSB reimbursed expenditures.

NOTE 7 - Risk Management:

MSA is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; employee health; and natural disasters for which **MSA** carries commercial insurance.

NOTE 8 - Related Party Transactions:

During the 1999 fiscal year, a Board member and the Director of **MSA** made interest free loans to **MSA** to fund operations on a short-term basis, as needed. As of June 30, 1999, all short-term related party loans were repaid.

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

To the Board of Directors of
Middle School Advocates, Inc.
New Orleans, Louisiana

We have audited the general purpose financial statements of the **Middle School Advocates, Inc. (MSA) (A Nonprofit Organization)** as of and for the year ended June 30, 1999, and have issued our report thereon dated November 5, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether **MSA's** general purpose 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 general purpose 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.

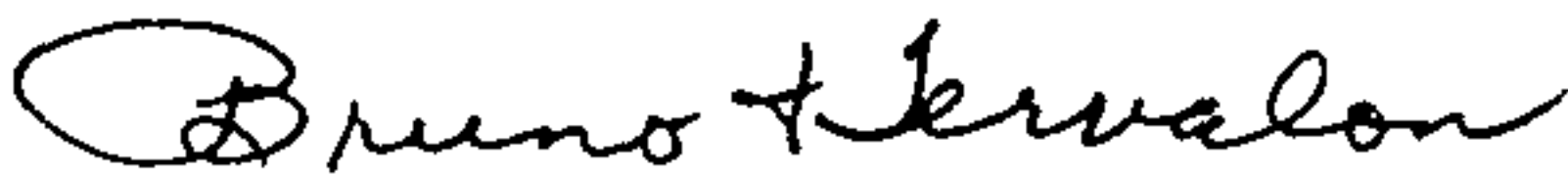
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL
REPORTING BASED ON AN AUDIT OF THE GENERAL PURPOSE
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered MSA's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose 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 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. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to management of MSA in a separate letter dated November 5, 1999.

This report is intended solely for the information and use of the Board of Directors, management and the **Orleans Parish School Board** and is not intended to be and should not be used by anyone other than these specified parties.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

November 5, 1999

MIDDLE SCHOOL ADVOCATES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 1999

I. SUMMARY OF AUDITORS' RESULTS

- A. The type of report issued on the general purpose financial statements: **unqualified opinion**

- B. Reportable conditions in internal control were disclosed by the audit of the general purpose financial statements: **no** material weaknesses: **no**.

- C. Noncompliance which is material to the general purpose financial statements: **no**.

- D. Reportable conditions in internal control over major programs: **not applicable** material weaknesses: **not applicable**.

- E. The type of report issued on compliance for major programs: **not applicable**.

- F. Any audit findings which are required to be reported under section 510(a) of OMB Circular A-133: **not applicable**.

- G. Major programs: **not applicable**.

- H. Dollar threshold used to distinguish between Type A and Type B programs: **Not applicable**.

- I. Auditee qualified as a low-risk auditee under section 530 of OMB Circular A-133: **not applicable**

- J. Management letter issued: **yes**.

MIDDLE SCHOOL ADVOCATES, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 1999

**II. FINDING RELATING TO THE FINANCIAL STATEMENTS REPORTED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

No matters reported.

III. FINDINGS AND QUESTIONED COSTS RELATED TO FEDERAL AWARDS

Not applicable.

99-000-3-1111-25

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors of
Middle School Advocates, Inc.
New Orleans, Louisiana

We have audited the general purpose financial statements of **Middle School Advocates, Inc. (MSA) (A Nonprofit Organization)** for the year ended June 30, 1999 and have issued our report thereon dated November 5, 1999.

In planning and performing our audit of the general purpose financial statements of **MSA** for the year ended June 30, 1999, we considered **MSA's** internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the general purpose financial statements and not to provide assurance on internal control.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The comments that accompanies this letter summarizes our findings and recommendations regarding those matters. This letter does not affect our report dated November 5, 1999 on the general purpose financial statements of **MSA**.

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

MIDDLE SCHOOL ADVOCATES, INC.
CURRENT YEAR MANAGEMENT LETTER COMMENTS

99-1 - CASH RECEIPTS

We noted during our audit that cash receipts are being collected by a person who is not independent of record keeping functions.

We recommend that all cash receipts be collected by one (1) designated person independent of record keeping functions. This person should prepare a daily sheet listing all such receipts and immediately stamp checks "For Deposit Only". A copy of the listing would be sent to the person keeping accounting records for account distributions and subsidiary postings. Since **MSA** has a limited number of staff personnel, either individual above can prepare and make daily bank deposits. At month end, the management of **MSA** should match the daily cash receipts listings to deposits on the bank statements. We suggest that the daily cash receipts listing provide a line for the signature of the person who reviewed monthly deposits and approved account distributions.

Management's Response

Management concurs with the auditors' recommendation and will separate cash receipts functions by assigning a person to only collect and list cash receipts.

99-2 - OUTSTANDING CHECKS

In our cash test work, we noted that on the outstanding check listing certain checks were outstanding over 90 days.

We recommend that **MSA** establish and implement procedures to provide that checks outstanding over 90 days be investigated for their non-presentation and subsequent disposition.

MIDDLE SCHOOL ADVOCATES, INC.
CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

99-2 - OUTSTANDING CHECKS, CONTINUED

Management's Response

Currently, all checks are printed with "void after 90 days" on them and any check outstanding after 90 days will be timely investigated.

99-3 - PRICE QUOTE ANALYSIS

We noted during our audit that competitive price quote documentation was not included in procurement files for purchases not requiring competitive bidding.

We recommend that **MSA** document in procurement files the selection of various suppliers through competitive price quote analysis.

Management's Response

Although competitive price quote analyses were being perform, **MSA** will establish additional procedures to provide that competitive price quote analysis documentation be maintained in applicable procurement files.

99-4 - FIXED ASSETS

During our audit we could not ascertain the legal owner of fixed assets transferred to **MSA** at the beginning of the Charter period and the rightful owner of fixed assets purchased with or without Orleans Parish School Board (OPSB) funding. Other issues regarding fixed assets may also need resolution.

MIDDLE SCHOOL ADVOCATES, INC.
CURRENT YEAR MANAGEMENT LETTER COMMENTS, CONTINUED

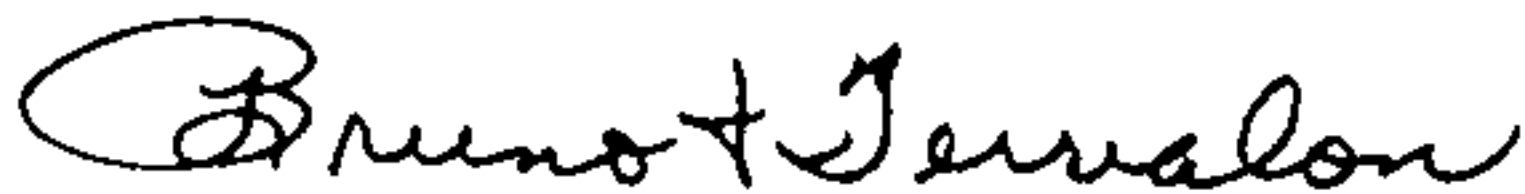
99-4 - FIXED ASSETS , CONTINUED

We recommend that OPSB and MSA execute a formal document that would eliminate any misunderstandings involving issues of the legal ownership and accountability of fixed assets.

Management's Response

The management of MSA concurs with the auditors recommendation and will meet with representatives of the OPSB to resolve pending fixed asset issues.

This report is intended solely for the use of the Board of Directors, management and the Orleans Parish School Board and is not intended to be and should not be used by anyone other than these specified parties.



BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

November 5, 1999