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REPORT
ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
12-15-96 10:00 AM

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.

AGREED UPON PROCEDURES

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, or reviewed, entity and other appropriate public officials. This 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 2-18-96

AS OF JANUARY 31, 1996

**Bruno
& Tervalon**

CHARTERED PUBLIC ACCOUNTANTS

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INDEPENDENT ACCOUNTANTS' REPORT ON APPLYING AGREED-UPON PROCEDURES

President/CEO and the
Board of Directors
Orleans Private Industry Council, Inc.
New Orleans, Louisiana 70127

We have performed the procedures, as enumerated below, which were agreed to by the President/CEO and the Board of Directors of the Orleans Private Industry Council, Inc. solely to assist you in determining the status of corrective actions taken by management personnel with regard to certain financial statement accounts and financial related matters of OPIC as of January 31, 1996.

This engagement to apply agreed-upon procedures was performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of the procedures is solely the responsibility of the specified users of the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Our procedures are as follows with findings and recommendations being detailed in the Schedule of Findings and Recommendations starting at page 5 of this report:

A. CASH

We obtained the bank reconciliations for each cash account as of January 31, 1996 and performed the following:

- a. Agreed the ending balances per the reconciliations to the amounts recorded per the general ledger;

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

- a. Identified outstanding checks as of January 31, 1996 in excess of ninety (90) days;
- a. Determined whether bank reconciliations were performed timely;
- a. Traced amounts in transit to the subsequent month's (February, 1996) bank statement noting clearance;
- a. Examined supporting documentation for additional material reconciling items and to determine the accuracy of such reconciling items; and
- a. Assessed whether all existing checking accounts are required.

B. DEPOSITS - LONG TERM

Examined the details of the account balance and determined whether recorded deposits are still outstanding as of January 31, 1996.

C. GRANTS RECEIVABLES

Analyzed the grants receivable account and determined that grant billings were properly recorded; and

Traced subsequent cash receipts for grant billings to the bank statements and posting to the grants receivable general ledger account.

D. ACCOUNTS RECEIVABLES

Examined details of the various accounts receivable balances and identified each balance outstanding in excess of a year.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

E. FIXED ASSETS

Agreed the fixed assets subsidiary ledger as of January 31, 1996 to the amount recorded as fixed assets in the general ledger.

Physically examined fixed assets purchased during the period July 1, 1995 to January 31, 1996 to determine if the assets have been tagged in accordance with Federal Regulations and OPIC's policies and procedures and listed on the Fixed Asset subsidiary ledger.

F. ACCOUNTS PAYABLE

Examined the accounts payable aging reports as of January 31, 1996 noting all payables in excess of ninety (90) days that have not been liquidated.

G. MONITORING REPORTS

- o Obtained and reviewed the monitoring schedule of service providers and examined on a sample basis completed monitoring reports for compliance with OPIC's policies and procedures; and
- o Reviewed the status of outstanding audit and monitoring reports of service providers to determine the status of outstanding questioned costs.

H. SALARIES AND WAGES

Determined whether the salaries, wages and related payroll taxes for the six months ended December 31, 1995 reconciled to the respective Payroll Tax Form 941s.

I. EXPENSE ACCOUNTS

Examined the general ledger for expense accounts having unusual account balances (i.e. credit balances) at January 31, 1996.

**INDEPENDENT ACCOUNTANTS' REPORT
ON APPLYING AGREED-UPON PROCEDURES
(CONTINUED)**

J. BUDGETS

Determined if budgets by title for the current fiscal year are being compared to year-to-date expenditures by title.

K. COST ALLOCATION

Evaluated adherence to established cost allocation procedures by reviewing a sample of transactions, in particular the Emergency Flood grant indirect cost transactions.

L. STAFFING

Evaluated the duties, responsibilities and training of personnel assigned to the Finance Department.

M. ASSESSMENT OF FINANCIAL OPERATIONS

Interviewed representatives of the City of New Orleans' Department of Finance and Monitoring Unit and the Louisiana Department of Labor in an attempt to get their qualitative views on OPK's financial operations.

We were not engaged to, and did not, perform an audit, the objective of which would be the expression of an opinion on the specified elements, accounts, or items. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the use of the specified users listed above and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

Bruno & Tervalon

BRUNO & TERVALON

CERTIFIED PUBLIC ACCOUNTANTS

March 29, 1996

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

A. CASH

Findings

- o The book balance per the reconciliation of seven checking accounts as outlined on Schedule I, per page 7, did not agree to the general ledger balance. The primary reason for this condition is that accounting adjustments are not being posted timely.
- o Six checking accounts as outlined on Schedule I, had checks outstanding in excess of ninety (90) days totaling approximately \$67,651. The primary reason for this condition is because outstanding checks are not voided in accordance with OPIC's cash policy. In addition, \$45,340 of the total outstanding checks relate to unclaimed participant payroll checks. This condition dates back to the fiscal years ended June 30, 1993 and 1994. Also, outstanding checks older than 90 days in the amount of \$67,651 resulted in negative book balances for five of the cash accounts.
- o Bank reconciliations for two of the bank accounts were not completed as of the date of our review. Although the remaining bank reconciliations were completed timely, a review by management was not performed until the end of March.
- o The FNHC participant payroll account (01000001) with a negative general ledger cash balance of \$30,848, has an unreconciled difference of \$1,337. Additionally, an unidentified amount documented as other charges of \$4,852, appears on the reconciliation.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

A. CASH, CONTINUED

Findings, Continued

- o OPIC has an excessive number of bank accounts.

Recommendations

We recommend that at a minimum the management of OPIC, after proper research, void all checks outstanding in excess of 90 days and record the corresponding liability if the check is for a prior year expenditure or reverse the expenditures if the check was written in the current program year. In addition, we recommend that the Vice President for Finance review and sign off on the necessary adjustments to properly reflect the cash balances and ensure that all bank reconciliations are completed on a timely basis.

OPIC should only maintain the following accounts:

- o Checking accounts that are mandated by a funding source;
- o One operating account;
- o A staff payroll account;
- o A participant payroll account that has current activity;
- o A summer youth payroll account to accommodate the summer program; and,
- o Consideration for an account to accommodate receipt of significant private sector funds.

All other accounts that presently exist should be closed and removed from the general ledger after proper research of their status.

SCHEDULE J

**ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF CASH ACCOUNTS
AS OF JANUARY 31, 1996**

Account Name	Account Number	Date Reconciliation Made	General Ledger Balance	Balance Per Bank Reconciliation	Outstanding Checks Greater Than \$5.00	Prepost of Account
FBI Operating	810001	01/01/96	\$ (4,285)	\$ (4,311)	\$ 26	Operations of CPIC
FBI - Prep. C.	820001	02/21/96	115	115	0	Staff Payroll
CPIC	830001	02/04/96	(20,849)	(20,421)	428	Prepost Payroll - CPIC
CPIC - OTRP	840001	02/28/96	(2,178)	Not Completed	Not Completed	Summer Youth Payroll
CPIC - LIB	850001	02/28/96	(863)	(1,436)	573	Prepost Payroll
Library - Post. P/R	860001	02/28/96	(114)	Not Completed	Not Completed	Summer Youth Payroll
Library - Bank	870001	02/28/96	258	305	47	Operations - CPIC - Other
Library - Bank	880001	02/28/96	1,767	1,771	4	Operations - CPIC - Other
Subsistence	110001	02/28/96	3,177	3,252	75	Operations - CPIC - Other
Library - Bank	120001	02/28/96	724	1,778	1,054	Operations - CPIC - Other
Library - Bank	130001	02/28/96	8,015	8,015	0	Operations of CPIC
Library - Bank	140001	02/28/96	0	0	0	Staff Payroll
Library - Bank	150001	02/28/96	0	0	0	Staff Payroll
TOTAL			\$ 8,623	\$ 8,623	\$ 0	\$ 0

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

B. DEPOSITS - LONG TERM

Finding

At January 31, 1996, long term deposits of \$25,835 include \$16,704 which represent security deposits at the former Tidewater building, Louisi Street building and utility deposits at the respective buildings. At January 1, 1996 OPIC no longer occupied the facilities and proper disposition of the deposits have not been reflected in the accounting records as of January 31, 1996.

Additionally, certain prior year audit adjustments have not been posted to the account.

Recommendation

We recommend that the management of OPIC examine the details of this account and make the necessary adjustments to accurately state the account balance.

C. GRANTS RECEIVABLE

Findings

- o The Incentive Grant and Flood Grant had credit balances of \$4,341 and \$34,654, respectively, which indicates that OPIC drew down amounts in excess of grant expenditures. These amounts should be recorded as deferred revenue if the grants have not reached the termination date, otherwise the amounts should be recognized as funds due back to the funding source.
- o In analyzing the grants receivable balance of \$829,624 as of January 31, 1996, it was determined that approximately \$402,258 related to periods prior to January 1, 1996.

Recommendations

We have previously recommended and continue to recommend that OPIC adhere to established procedures to ensure that grant funds are not requested in excess of actual expenditures. Also, OPIC should record the appropriate reclass adjustment to properly reflect the balance in deferred revenue.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

C. GRANTS RECEIVABLE, CONTINUED

Recommendations

We have previously recommended and continue to recommend that OPIC adhere to established procedures and maintain subsidiary records to disclose amounts being billed to grantor agencies and the related amounts not collected. Therefore, an analysis should be performed with regard to the \$542,258 to determine what prior months and amounts have not been reimbursed by the funding sources and why.

B. ACCOUNTS RECEIVABLES

Finding

Accounts receivable include billings of \$150,943 and unreimbursed expenses of \$24,160.

Of the \$150,943 accounts receivable balance, \$75,728 relates to current activity and is considered to be collectible, while \$75,215 relates to expenses from 1993 and 1994 in which OPIC requested reimbursement from the State in accordance with State JTPA Regulations. The State has indicated that they cannot make such a reimbursement and, according to management, instructed OPIC to charge the current grant funds for the cost. The balance of \$35,525 consist of receivables recorded at June 30, 1994, that have not been collected.

The accounts receivable for unreimbursed expenses totaling \$24,160 has not changed since June 30, 1995 and include amounts dating back to June 30, 1994. The amount includes interest, bank charges and penalties incurred (paid with JTPA funds) and not reimbursed by non-federal sources as of January 31, 1996.

Recommendations

As previously recommended, OPIC should determine the true collectibility of the account balances and also make the necessary reclass adjustment requested by the State.

Additionally, as previously recommended, OPIC has to develop a methodology to obtain non-JTPA funds to collect unreimbursed expenses, and additionally provide a source to repay the funding source for ineligible costs. We recommend that management immediately seek non-Federal funds to liquidate the accounts receivable classified as unreimbursed expenses.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

E. FIXED ASSETS

Findings

- o The fixed asset subsidiary ledger did agree to the general ledger amount.
- o The fixed asset subsidiary ledger does not include the specific tag numbers of the equipment or location of the items.
- o In instances of bulk purchases the fixed asset subsidiary ledger displays the bulk totals but not the individual purchases.
- o Fixed asset deletions per the fixed asset subsidiary ledger are not related to specific items within the ledger but are a reduction to the overall balance to the ledger.

Recommendation

We recommend that the fixed asset subsidiary ledger include tag numbers and the location of the equipment purchased, and that bulk purchases and deletions be specifically identified. An attempt should be made using the detailed subsidiary ledger to identify every piece of equipment recorded in the subsidiary ledger and reconcile to the general ledger. A reasonable period of time (30-to-60 days) should be designated for completion of the reconciliation with a final report submitted to the President/CEO of the results thereof.

F. ACCOUNTS PAYABLE

Findings

- o Two liability accounts, namely accounts payable HANO and Federal Taxes reflect receivable balances of \$43,445 and \$1,121 respectively.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

F. ACCOUNTS PAYABLE

Findings, Continued

- o The accounts payable for contracts with service providers in the amount of \$209,651 includes a liability to a service provider totaling \$6,056 which has been outstanding since February of 1994.
- o The accounts payable to vendors subsidiary aging report does not agree to the general ledger balance of \$22,065 by \$2,170.
- o Various miscellaneous amounts in the accounts payable to vendors subsidiary aging report totaling \$3,785 have been outstanding in excess of ninety days.
- o At January 31, 1996, there is an account entitled Due to State of Louisiana in the amount of \$383,046. This amount represents several checks written prior to June 30, 1995 which were never released and were being carried as outstanding, and liabilities recorded in the accounts payable account which were never liquidated for various reasons primarily associated with the purchase of various computers. Because of the aging of the outstanding checks and the accounts payable balance an adjustment was recorded at June 30, 1995 transferring the account balance to the Due to State of Louisiana until such time that OPRC can review the transactions. Management has not sufficiently analyzed this condition in order to determine the proper disposition of the account balance.

Recommendations

The management of the Orleans Private Industry Council, Inc. should determine why certain accounts have debit balances. Additionally, management should determine whether the payable balances are in fact valid obligations of the Orleans Private Industry Council, Inc. If it is determined that the amounts are not valid obligations then the appropriate adjustments should be made to accurately state the account balances.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

G. MONITORING REPORTS

Findings

We reviewed a sample of the monitoring reports as of January 31, 1996 and noted that the monitoring unit of OPIC had performed programmatic reviews but no fiscal reviews until February of 1996. We reviewed a sample of the monitoring unit's files for service providers and noted no significant findings of the respective service providers.

However, the monitoring unit of OPIC could not readily provide a status of outstanding audits or a status of questioned costs associated with those audits that had been received from service providers.

Recommendations

We have previously recommended and continue to recommend that the management of OPIC prepare a detailed status report (including at a minimum the service provider's name; their fiscal year ending date; if an audit is required; has an audit report been submitted; and the amount of questioned costs, if any, and what action the service provider has taken to resolve any questioned costs.

We also recommend that a detail plan be established and submitted to management outlining the various service providers to be monitored and time frames for conducting such. A detailed check list should be developed for both programmatic and fiscal monitoring to be used by staff in conducting this monthly review. Additionally, the staff should adhere to established procedures.

II. SALARIES AND WAGE EXPENSE

Findings

The salaries, wages and related payroll taxes per the general ledger for the third and fourth quarters of 1995 did not reconcile to the payroll tax forms 941 by \$5,693 and \$6,384, respectively.

Recommendation

We recommend that management of OPIC adhere to established procedures and ensure that salaries, wages and related taxes reported on the quarterly payroll tax returns agree to the respective balances per the general ledger.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

I. EXPENSE ACCOUNTS

Finding

At January 31, 1996 we noted that several expense accounts had credit balances. Although the amounts are not material to the financial statements as a whole the accounts are not properly stated. These accounts are:

Accounts	Amount
Retirement Benefit	\$ (5,569)
Cost Reimbursement Support	\$ (11,547)
Retirement Benefit Creditor	\$ (3,588)
Temporary Labor Operations	\$ (156)

Recommendation

We recommend that OPIIC review the related activity of the accounts and make the necessary adjustments to accurately state the account balances.

I. BUDGETS

Finding

We reviewed a report that had been submitted to the Budget Committee of the Board of Directors disclosing projected revenues for the year ending June 30, 1996 with a comparison of actual and projected expenditures for the year ending June 30, 1996. However, actual expenditures are not detailed out in the report, but are included with the projected expenses for the remainder of the fiscal year for the basis of the comparison with projected revenues. Thus a comparison of actual expenditures for a particular period of time compared with the budget for a given period of time is not provided.

Recommendations

We recommend that a year-to-date budget be compared with year-to-date actual expenses. In addition, the annual budget should be compared with the year-to-date actual expenses plus the remaining year's projected expenses. Significant variances in the comparison should be investigated.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

K. COST ALLOCATION

Finding

In performing our agreed upon procedures in the areas of cost allocation, the indirect cost allocation rates used for allocating January 1996 expenses was not available for our review as of the date we performed our field work. The plan was subsequently provided to us, however, we could not determine whether the rates were used for January's expenditures, since the rates provided were not available to us until the completion of our field work.

Recommendation

We recommend that OPIC prepare the monthly allocation rates timely in order to properly allocate expenses in accordance with established procedures.

L. STAFFING

DUTIES AND RESPONSIBILITIES

Findings

OPIC's Personnel Policies and Procedures Manual states that "all positions have a written job description which defines the duties and responsibilities of each position and forms the basis for proper classification, job title and pay level assignments. Each employee will be provided with a copy of the job description for his/her respective job. In discussions with the various personnel of the Finance Department, each employee was able to provide or state general areas of responsibility. However, no one was ever given a written job description. Also, specific duties of each employee may change at any given time depending on the needs of the office.

The Senior Accountant who reports directly to the Vice President of Finance appears to be under utilized. In providing the details of the job responsibilities, besides the reconciliation of cash accounts, the reconciliation of the fixed assets inventory to the general ledger, and the reconciliation of draw downs from the City of New Orleans, the Senior Accountant has no other true accounting duties.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

I. STAFFING, CONTINUED

DUTIES AND RESPONSIBILITIES, CONTINUED

Findings, Continued

The Accounting Supervisor and in some instances the Vice President for Finance perform many of the day-to-day accounting functions that could possibly be delegated to other staff allowing time and resources to be directed towards analysis of the balance sheet accounts. Also, staff appears to spend time resources recreating analysis and researching items in which information should be readily available. The Finance Department has not developed a proactive approach to meeting the various reporting deadlines of the department. Adequate planning of staff assignments or staff meetings is not performed and in many instances there was no evidence of supervision and review of the lower level staff's work.

The Vice President for Finance expressed concern with the allocation of resources to the Finance Department. He also expressed the need for the management of OPIC to assess the objectives and goals of the department and verify the operations to coincide with the assessed objectives.

TRAINING

Findings

There does not appear to be cross training of duties between staff. Based upon our interviews with staff, if a staff person takes leave, their work either remains undone until they return, they receive calls while on leave, or they must attempt to anticipate and complete certain assignments relating to everyday operations prior to their departure. One key staff person indicated that they have not received adequate training on the Champion Software Accounting System.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

I. STAFFING, CONTINUED

TRAINING, CONTINUED

Recommendations

In evaluating the above conditions we recommend the following:

- o Written job descriptions should be provided to each employee defining specific duties and responsibilities. As the various duties change, the job descriptions should be updated accordingly and distributed to the respective employee.
- o Staff should be cross trained on certain day-to-day operations of OPIC to avoid unnecessary delays or stoppages in the flow of accounting information.
- o The Senior Accountant's position should be better utilized in the generating of accounting information. One way to do this is to make the position responsible for analyzing specific balance sheet accounts. Also, the Senior Accountant should report directly to the Accounting Supervisor.

Any necessary adjustments should be proposed and submitted for approval and subsequently posted.

- o A strategic plan for the Finance Department should be created detailing how it plans to address the various issues of the Department, who will be responsible for specific areas, how the plan will be implemented and dates for implementation. This plan should be formulated and disseminated through staff meetings to ensure that the Department understands as a unit the ultimate goals to be accomplished.

**ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)**

I. STAFFING, CONTINUED

TRAINING

Recommendations, Continued

- o The Vice President of Finance should date and sign-off on various aspects of staff work as evidence of his review and approval of their work products such as bank reconciliations, account analysis agreeing to the general ledger, written monitoring reports, and inventory of fixed assets, etc.

II. ASSESSMENT OF FINANCIAL OPERATIONS

Findings

In interviewing representatives of oversight agencies of the Orleans Private Industry Council, Inc. the following observations were given:

State Department of Labor

- o Financial operations of the Orleans Private Industry Council, Inc. have improved since the inception of the entity, however, improvements are still needed. The primary concern is the turnover in staffing of the Finance Department. This coupled with the complexity in accounting for the program creates a situation in which a tremendous amount of time and effort is expended trying to maintain continuity in operations.

City of New Orleans

- o The Orleans Private Industry Council, Inc. is meeting its reporting requirements to the City which is an improvement from previous years and we hope that this progress continues.

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
(CONTINUED)

M. ASSESSMENT OF FINANCIAL OPERATIONS, CONTINUED

Finding, Continued

Monitoring Unit of the City of New Orleans

- o The Finance Department of the Orleans Private Industry Council, Inc. has the capabilities of performing their assigned functions, however, a plan is needed to resolve the accounting issues brought forth as a result of various audits. Moreover, additional independent review of the financial statements may be necessary to prevent similar occurrences in the future.

Recommendation

We agree with the general observations made by the above audit agencies and also agree with their recommendations. We further recommend immediate implementation of the recommendations contained herein that you are in agreement with.

Additionally, we also recommend that the Vice President of Finance review all general ledger accounts discussed in this report and post all required adjustments in the month of April 1996 in order to accurately state the account balances.

An independent review of the general ledger and related financial statements as of April 30, 1996 should be performed with a report of the accuracy thereof being submitted to the President/CEO and Board of Directors.

**ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
EXIT CONFERENCE**

An exit conference was held with representatives of OPIC and the contents of this report was discussed. Those persons in attendance were:

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.

Mrs. Cheryl Q. Casner	-- President/CEO
Mr. Louis Soubry	-- Executive Vice President
Mr. Johnny George	-- Chief Financial Officer

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

Mr. Michael B. Bruno, CPA	-- Managing Partner
Mr. William Bonick, CPA	-- Audit Supervisor

Bruno & Tervalon

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

March 29, 1996



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April 30, 1996

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(504) 524-1000
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RE: MANAGEMENT'S COMMENTS - SPECIAL REVIEW

Dear Mr. Bruno:

Attached is the Orleans Private Industry Council, Inc.'s management comments relative to the special review recently completed by your firm.

Please give us a call if you should have any questions.

Sincerely,

Cheryl F.W. Gasser
President/CEO

c: Johnny J. George
Louis B. Siskin, Jr.
Charles Winchester
Sabrina Rodgers

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.

an Equal Opportunity Employer

ORLEANS PRIVATE INDUSTRY COUNCIL, INC.
RESPONSE TO SCHEDULE OF FINDINGS AND RECOMMENDATIONS

A. CASE

Of the four hundred fifty three (453) checks in the amount of \$,67,651, noted as checks outstanding greater than sixty (60) days at January 31, 1996, approximately three hundred sixty seven (367) checks in the amount of \$29,693.38 of these checks have been voided in subsequent months. An additional two (2) checks in the amount of \$38,186 closed the operating account after January 31, 1996. Additional research is being made to void the remaining eighty four (84) checks in the amount of \$37,772, which have been outstanding for more than sixty (60) days. The appropriate journal entries were made as warranted to reflect the accounting for the checks voided.

The Chief Financial Officer implemented a plan in January 1996 to ensure all bank reconciliations were completed up to date and that subsequent reconciliations were performed timely. The Chief Financial Officer's review of the bank reconciliations were performed timely. However, because the appropriate research, documentation, and supporting journal entries were not initially included with the bank reconciliation records, the reconciliations were returned by the Chief Financial Officer to the responsible staff person for completion. The reconciliations were subsequently returned back to the Chief Financial Officer in March 1996 for review and approval.

OPIC's needs base participant bank account has a volume of over 13,100 checks per year (average of 1100 checks per month). In many instances, the participants may either hold the checks for a prolonged period of time or they may fail to actually pick up their check. This problem has been discussed extensively within OPIC and coordinated efforts between the Finance Department and the Operations Department within OPIC has resulted in a significant decrease in the number of checks issued in Program Year 55 being outstanding for more than sixty (60) days. Because of the constant turnover in staff in the Finance Department and since the outstanding checks in question were for prior program years, a significant amount of research was needed to ensure that proper documentation was obtained to support the journal entries that voided the subject checks. Our efforts to resolve this problem also included opening a new needs base participant account which was done in June 1995.

Since the majority of the outstanding checks have been voided and new bank accounts have been established at Liberty Bank, the old needs base participant account at FNHC will be closed effective May 1, 1996 along with the two (2) accounts at First Bank & Trust and the FY93-Summer Youth account at FNHC. OPIC is also evaluating the possible use of debit cards for making needs base participant payments in lieu of issuing checks as done in the past.

B. DEPOSITS - LONG TERM

The appropriate journal entry was made in March 1996 to clear the \$4,467.50 security deposit amount for Louisa Street building.

This account has been reviewed in detail and the other necessary adjustments to accurately state the account balance will be made in April 1998. OPIC has not received the security deposits from Corporate Realty for the previous lease at 1440 Canal Street nor from Gerald Alexander for the previous lease at the Crowder Blvd. location. The management for both entities have been previously contacted regarding the deposits. The necessary adjustments will be made to the deposit account upon receipt of the subject monies.

C. GRANTS RECEIVABLE

The Incentive Grant and Flood Grant credit balances of \$4,343 and \$34,684 respectively have been adjusted and remitted back to the Louisiana Department of Labor (LDOL) in a subsequent grant funds request drawdown. This adjustment is available for your review.

An analysis of the amounts billed to grantor agencies was recently completed. A meeting has been scheduled with the City of New Orleans to review the results of the analysis. The OPIC staff person which the subject analysis was originally assigned to failed to properly complete the assignment. Therefore, this task was recently reassigned to the Accounting Supervisor with the assistance of the Chief Financial Officer.

D. ACCOUNTS RECEIVABLE - OTHER

OPIC has determined that of the \$150,943 noted in accounts receivable as billings, a total of \$73,688 has been adjusted and recorded as an expense for audit fees for the fiscal years ending June 30, 1992, 1993, and 1994. A grant funds request has been prepared to reflect the drawdown of funds to cover the subject audit fees. Instruction No. 353, Paragraph 117 "Auditing Requirements" of Title 48 Labor and Employment Part XIII of the "Job Training Partnership Act" indicates that audit costs for auditing private industry councils, grant recipients and administrative entities will be paid from state administrative funds upon request. The remaining \$77,245 is considered current activity and is mainly due to OPIC as a result of service provider advances as detailed below.

DESCRIPTION	AMOUNT
OPIC audit fees	\$ 73,688
Service Provider advances	77,245
TOTAL	\$150,943

D. FIXED ASSETS

OPIC's Finance Department maintains a subsidiary ledger that includes vendor, description of purchase, number of items purchased, unit cost and total bulk amount. OPIC's Compliance Unit performs an annual inventory and also tracks equipment by description and tag number. A formal report to the President / CEO reflecting the results of the reconciliation of the physical inventory to the general ledger will be submitted by June 30, 1996. A subsidiary ledger which includes the tag numbers is maintained in the Compliance Unit. A reconciliation of the subsidiary ledger of equipment recorded in the general ledger has already been prepared by the Finance Department. This reconciliation indicates that the subsidiary ledger agrees with the balance in the general ledger.

E. ACCOUNTS PAYABLE

The \$583,046 shown in the account entitled Due to State of Louisiana has been analyzed. OPIC's comments relative to the disposition of this liability are included in the response to the initial determination letter submitted to the Louisiana Department of Labor (copy attached).

The adjustment for the \$3,179 difference between the aging report and the general ledger balance along with the adjustment for the \$5,789 for the aged miscellaneous items in the aging report will be made in April 1996 accounting as recommended by the auditor.

The noted HANO accounts receivable balance of \$45,443 is due from JITA funds, as a result of a timing difference in the receipt of grant funds requested for staff payroll during the month ending, December 28, 1995. A transfer of funds back to the HANO Account will be submitted to correct this matter.

The Federal Taxes receivable of \$1,323 is being researched by OPIC. The appropriate disposition will be made based on the results of the review.

G. MONITORING REPORTS

A detailed work plan has been established that includes, but are not limited to, service provider's name, notification of audit due, receipt of audit, amount of questioned cost, questioned cost resolved, program year and contract amount.

The Compliance Unit has devised a detailed plan outlining the various service providers to be monitored, and timeliness for conducting same. The monitoring schedule is available for your review.

H. SALARIES AND WAGE EXPENSE

CPIC is in the process of researching the noted salaries, wages and related payroll taxes for the third and fourth quarters of 1998 in the amounts of \$3,683 and \$4,184 respectively, to determine why these amounts do not reconcile back to the general ledger.

I. EXPENSE ACCOUNTS

CPIC is in the process of reviewing the expense accounts for the expense accounts detailed below as follows:

ACCOUNT	AMOUNT	DESCRIPTION
Retirement Benefit	\$ (5,969)	Researching
Cost Reimb. Supp.	(11,547)	New account was set up to reflect support cost and climatic services (provider training account).
Retire. Ben. Crowder	(3,558)	Researching
Temporary Labor Oper.	(196)	Researching

J. BUDGETS

A schedule of the actual expenditures has been included in the budget report submitted to the Budget Committee of the Board of Directors. Additional enhancements will be made as recommended and also as discussed in the Budget Committee meetings to include comments explaining variances over 10%.

K. COST ALLOCATION

Monthly allocation rates for January 1998 were timely prepared. However, apparently due to an oversight the rate schedule was not immediately provided upon the auditor's initial request.

L. STAFFING - DUTIES & RESPONSIBILITIES

- Job descriptions were previously provided to each employee. However, because many duties have changed, an updated job description will be prepared and distributed to the affected employees by May 15, 1998.
- The need for formal cross training of staff is recognized and in cases in which it is practical, cross training has been done. Cross training for the key basic functions, such as processing invoices, issuing checks, etc., have been addressed with the appropriate staff, primarily the junior accountant and the accounting supervisor. In addition to the Chief Financial Officer, the current accounting staff consists of the following three (3) positions:

1. Accounting Supervisor (1)
2. Sr. Accountant (1) - this employee has resigned, effective May 3, 1996.
3. Junior Accountant (1)

The Sr. Accountant is the only staff person which has not received formal cross training as it relates to processing invoices, issuing checks, and formal training related to the use of the Champion accounting system. The following specific critical functions which were assigned to the Sr. Accountant required all of this employee's time:

- Account reconciliations
 - Coordinating annual audit of OMC - which included preparation of audit schedules, resolving audit findings, resolving issues of questioned costs, and preparation of management response to audit findings.
 - Coordinate service providers audits and follow up and resolve issues of questioned costs included in service providers audit reports.
 - Responsible for accounting for fixed asset purchases, including maintaining a subsidiary ledger for fixed assets and the necessary accounting to ensure it agrees with the general ledger.
- C. A two (2) day session to discuss specific problem areas, revisions to accounting procedures, reorganization of job duties, and specific goals and objectives of the Finance Department had been planned. This session was cancelled due to the Chief Financial Officer's involvement with the Budget Committee of OMC's Board of Directors in preparation of corrective action measures to address a projected budget shortfall. The session will be rescheduled for the week of June 3, 1996.
- d. The Chief Financial Officer will date and sign off on "acceptable" staff work to acknowledge approval of the work product. Unacceptable work will continue to be returned to the appropriate staff for proper completion as done in the past.