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DECEMBER 21 1995

GREATER NEW ORLEANS SPORTS FOUNDATION

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Release Date: 3-14-96

FINANCIAL AUDIT

TOGETHER WITH

INDEPENDENT AUDITORS' REPORT

FOR THE YEAR ENDED DECEMBER 31, 1995

Bruno

CERTIFIED PUBLIC ACCOUNTANTS

& Tervalon

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Greater New Orleans Sports Foundation
New Orleans, Louisiana

We have audited the accompanying balance sheet of **Greater New Orleans Sports Foundation** (a non-profit organization) as of December 31, 1995, and the related statement of support, revenues and expenditures and changes in fund balance and cash flows for the year then ended. These financial statements are the responsibility of the management of **The Greater New Orleans Sports Foundation**. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **The Greater New Orleans Sports Foundation** as of December 31, 1995, and the results of its operations, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated March 15, 1996 on our consideration of **The Greater New Orleans Sports Foundation's** internal control structure and a report dated March 15, 1996 on its compliance with laws and regulations.

INDEPENDENT AUDITORS' REPORT

(CONTINUED)

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the report (shown on pages 11 to 12) is presented for the purpose of additional analysis and is not a required part of the financial statements of The Greater New Orleans Sports Foundation. 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

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 15, 1996

GREATER NEW ORLEANS SPORTS FOUNDATIONBALANCE SHEET
DECEMBER 31, 1995**ASSETS****Current Assets:**

Cash and cash equivalents (NOTE 2)	\$ 161,452
Accounts receivable (NOTE 4)	409,798
Prepaid expenses	<u>3,743</u>
Total current assets	<u>574,993</u>

Office furniture and equipment, net of accumulated depreciation of \$ 13,476 (NOTE 2 and 3) 39,098

Leasehold improvements, net of accumulated amortization of \$ 823 (NOTE 2 and 3) 48,615

Net fixed assets 87,713

Other assets 1,430

Total assets \$ 663,096

LIABILITIES AND FUND BALANCE**Current Liabilities:**

Accounts payable (NOTE 5)	\$ 213,870
Total current liabilities	<u>213,870</u>

Commitments and contingency (NOTE 6)

Fund balance - designated 66,783
Fund balance - undesignated 380,441

Total fund balance 447,224

Total liabilities and fund balance \$ 663,096

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

GREATER NEW ORLEANS SPORTS FOUNDATION
STATEMENT OF SUPPORT, REVENUES AND EXPENDITURES AND
CHANGES IN FUND BALANCE
For the year ended December 31, 1998

Public Support and Revenues

Public support:	
Donations	\$ 12,640
Total public support	<u>12,640</u>
Revenues:	
Hotel and motel tax dedication (NOTE 8)	580,000
Program revenues (NOTE 10)	138,263
Grant revenues (NOTE 10)	73,780
Professional services fees	5,000
Interest	6,959
Miscellaneous	<u>5,924</u>
Total revenues	<u>799,666</u>
Total public support and revenues	<u>812,306</u>

Expenditures

Management and general	431,294
Program costs	<u>65,848</u>
Total expenditures	<u>497,142</u>
Excess of public support and revenues over expenditures	315,164
Fund balance, beginning of year	<u>189,632</u>
Fund balance, end of year	<u>\$ 451,728</u>

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

GREATER NEW ORLEANS SPORTS FOUNDATION

STATEMENT OF CASH FLOWS

For the year ended December 31, 1995

Cash Flows from Operating Activities

Excess of public support and revenues over expenditures	\$ 251,589
Adjustments to reconcile excess of public support and revenues over expenditures to net cash provided by operating activities:	
Depreciation and amortization	9,138
(Increase) in:	
Accounts receivable	(379,274)
Other receivables	(2,439)
Prepaid assets	(3,743)
Increase in:	
Accounts payable	281,702
Net cash provided by operating activities	76,982

Cash Flows from Investing Activities

Purchase of office equipment	(18,825)
Purchase of leasehold improvements	(68,436)
Net cash used for investing activities	(87,261)

Cash Flows from Financing Activities

Payment of loan	(18,000)
Net cash used for financing activities	(18,000)

Net decrease in cash and cash equivalents

(2,282)

Cash and cash equivalents, January 1, 1995

163,824

Cash and cash equivalents, December 31, 1995

\$ 161,542

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

GREATER NEW ORLEANS SPORTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Organization:

The Greater New Orleans Sports Foundation (the Foundation) was formed on August 2, 1988 as a non-profit organization to bring together by association, sports minded people who will devote a portion of their time, energy and financial support to the development of sport tourism and related industries in the City of New Orleans and surrounding regions. Also, the Foundation was organized to provide for the exchange among members of the organization such information, ideas and support necessary to attract and assist in the coordination and production of sports events in the New Orleans area.

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements are prepared in accordance with generally accepted accounting principles and are prepared on the accrual basis.

Office Furniture and Equipment

Office furniture and equipment are stated at cost. Depreciation is provided using the straight-line method over the estimated useful life of the equipment, which is 5 years.

Leasehold Improvements

Leasehold improvements are stated at cost. Amortization is provided using the straight-line method over the life of the lease, which is 5 years.

Cash Equivalents

For purposes of the Statement of Cash Flows, the Foundation considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

GREATER NEW ORLEANS SPORTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 3 - Fixed Assets:

Changes in fixed assets and leasehold improvements during the year ended December 31, 1995 were as follows:

Description	Balance January 1, 1995	Additions	Deductions	Balance December 31, 1995
Office furniture and equipment	\$ 31,608	\$ 19,925	\$ -0-	\$ 51,533
Leasehold improvements	_____0-	_____49,628	_____0-	_____49,628
Sub-total	_____31,608	_____69,553	_____0-	_____101,181
Accumulated depreciation and amortization	_____56,162	_____52,128	_____0-	_____108,290
Net book value	\$ _____25,446	\$ _____17,425	\$ _____0-	\$ _____42,871

NOTE 4 - Accounts Receivable:

For the year ended December 31, 1995, included in accounts receivable were funds due to the Foundation from various sporting events, as well as funds due as a result of Act No. 1191. The funds due to the Foundation are as follows:

Description	Amount
State of Louisiana - Act 1191	\$ 145,825
Reimbursement from landlord for leasehold improvements	75,000
American Athletics Union/Union Olympics - City of New Orleans/Landing Institution	34,916
Four Seasons Conference 1995	89,322
Super Bowl XXXI	34,887
Economic Development Fund - City of New Orleans	48,362
Miscellaneous	_____1,396
Total Accounts Receivable	\$ _____489,708

GREATER NEW ORLEANS SPORTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 5 - Accounts Payable:

At December 31, 1995 accounts payable included ticket revenues collected for the 1996 Southeastern Conference basketball tournament. Such ticket proceeds totaling \$ 123,253 were required to be disbursed to Facility Management of Louisiana. The Foundation would subsequently receive 10% of the net ticket sales and 20% of net merchandise sales from the event.

NOTE 6 - Income Taxes:

The Foundation is exempt from corporate income taxes under Section 501 (c) (3) of the Internal Revenue Code.

NOTE 7 - Credit Risk:

Credit risks arising from uninsured money market deposits totaled \$ 120,546 at December 31, 1995.

NOTE 8 - Hotel and Motel Occupancy Tax Dedication:

Act No 640 (the Act), which was approved by the Governor of Louisiana on June 15, 1993 amended Section 4, Paragraph (F) (1) of Article 14, Section 47 of the 1921 Constitution of Louisiana. The Act provided that any revenues of the district derived from any source whatsoever, including the hotel occupancy tax, remaining at the end of each fiscal year after certain payments shall be paid for operating expenses to the Foundation. Such funds totaled \$ 258,800. Additionally, Act 1091 which was approved by the Governor of Louisiana on June 29, 1995, amended Section 4, Paragraph (F) (1) of Article 14, Section 47 of the 1921 Constitution of Louisiana. This Act provides for \$ 500,000 to be paid annually to the Foundation. The financial statements reflect revenues earned for the period July 1, 1995 thru December 31, 1995 which totaled \$ 250,000 in addition to the June 30, 1995 surplus of \$ 250,000.

GREATER NEW ORLEANS SPORTS FOUNDATION
NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 9 - Commitments and Contingency:

Commitments:

The **Foundation** has entered into a lease agreement for office space with a corporation which requires monthly rental payments of \$ 1,520. The lease commenced December 1, 1985 and expires November 2000. The lease agreement contains a renewal option which extends the term of the lease agreement for an additional term of five (5) years with a monthly rental payment of \$ 1,224.

Under the terms of a contractual agreement between the **Foundation** and the Amateur Athletic Union of the United States, Inc. (AAU), the **Foundation** is required to pay for the right to conduct the AAU Junior Olympics. Certain amounts are required to be paid during the year ended December 31, 1996 as follows:

- \$ 50,000 on or before January 15, 1996;
- \$ 50,000 on or before October 1, 1996;
- The entry for allotments as designated by the contract;
- A maximum of 600 hotel room nights of accommodations; 40 courtesy cars, for a total of 240 total car days; 5 courtesy mini vans, for a total of 40 total vans; 41 cellular phones and 60 airline tickets for AAU officials; and
- \$ 35,000 due on July 1, 1996 for transportation for athletes and coaches.

These payments are in addition to the amounts previously paid to the AAU which totaled \$ 25,000.

Contingency:

Under the terms of the employment agreement between the **Foundation** and its President, a Compensation Committee was established to create a formula to calculate the President's bonus based upon a percentage of the **Foundation's** net profit. However, the Compensation Committee has not rendered a determination on the bonus amount. As such, an amount related to the bonus has not been recorded.

GREATER NEW ORLEANS SPORTS FOUNDATION

NOTES TO FINANCIAL STATEMENTS, Continued

NOTE 10 - Program and Grant Revenue

The Foundation has entered into certain contractual arrangements with other organizations to provide management advisory services for certain current and future events sponsored by the other organizations. Such contracts require stipulated amounts to be paid to the Foundation for such services and additionally provide for reimbursement of eligible costs as defined pursuant to the event.

The sporting events and the related revenues for such events administered during the year ended December 31, 1993 are as follows:

Event	Amount
World Championship Figure Skating	\$ 1,300
1993 Coca-Cola Olympics	108,575
1996/1997 NFL Air-b-Out	4,500
Feasibility Studies	7,000
Southeastern Conference Basketball Tournament	7,723
Amateur Athletic Union Event	<u>83,943</u>
Total Program Revenue	<u>\$ 212,138</u>

SUPPLEMENTAL SCHEDULE

Greater New Orleans Sports Foundation

Statement of Functional Expenditures
for the Year Ended December 31, 1985

Expenditures	SEAC	SEC	AAU	COCA COCA	TOTAL PROGRAM COSTS	MANAGEMENT AND GENERAL	TOTAL COSTS
Salaries and related benefits	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 275,378	\$ 275,378
Insurance	-	-	-	-	-	22,754	22,754
Telephone	-	51	711	-	362	18,004	18,768
Postage	-	288	924	-	1,790	6,383	8,361
Temporary services	-	-	99	-	99	7,968	7,968
Photography	-	-	96	-	96	768	864
Public relations	-	-	1,150	-	1,150	1,996	3,146
Advertising	-	-	-	-	-	8,229	8,229
Promotional air staff	-	-	4,336	-	4,336	760	5,286
Sales commission	-	4,404	6,816	-	11,219	799	11,999
Copy writing	-	-	-	-	-	580	580
Meetings	-	-	363	-	363	4,577	4,940
Traavel	-	2,876	4,534	-	6,712	7,988	14,698
Entertainment	-	71	453	-	528	1,620	2,426
Event data	-	-	364	-	364	578	1,242
Subscriptions/membership dues	-	-	-	-	-	4,812	4,812
Donations/event tickets	-	-	-	-	-	2,780	2,780
Contract services	-	-	-	-	-	4,591	4,591
Staff changes	-	-	-	-	-	397	397
Real estate	-	-	-	-	-	501	501
Employee education	-	-	-	-	-	383	383
Transportation	-	128	143	-	265	6,846	7,111
Amortized and utilities	-	-	-	-	-	1,852	1,852
Subtotal	-	2,168	13,625	-	26,173	288,253	298,123

See Independent Auditors' Report on Supplemental Information

Greater New Orleans Sports Foundation

Statement of Functional Expenditures
for the Year Ended December 31, 1995

	SWAC	SEC	AAU	COCA COLA	GYMNASIUMS	TOTAL PROGRAM COSTS	MANAGEMENT AND GENERAL	TOTAL COSTS
Printing	-0-	554	5,246	-0-	-0-	5,990	12,929	18,929
Office supplies	-0-	-0-	-0-	-0-	-0-	-0-	18,191	18,191
Equipment rental	-0-	-0-	450	-0-	-0-	450	418	868
Office relocation	-0-	-0-	-0-	-0-	-0-	-0-	2,685	2,685
Other	-0-	-0-	148	20,578	-0-	20,510	2,100	32,612
Office rent	-0-	-0-	-0-	-0-	-0-	-0-	2,403	2,403
Field trips	-0-	-0-	-0-	-0-	-0-	-0-	14	14
Computer maintenance	-0-	-0-	-0-	-0-	-0-	-0-	5,988	5,988
Consulting fees	-1,215	-0-	-0-	-0-	-0-	-1,215	-18,133	-19,348
Subtotal	-1,215	554	5,804	20,578	-0-	26,932	52,864	80,796
Total expenditures before depreciation and amortization	1,215	7,722	25,541	20,578	-0-	64,848	425,156	487,094
Depreciation and amortization	-0-	-0-	-0-	-0-	-0-	-0-	5,128	5,128
Total Expenditures	1,215	7,722	25,541	20,578	-0-	64,848	430,284	492,222

See Independent Auditors' Report on Supplemental Information

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL
CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GAS**

To the Board of Directors
Greater New Orleans Sports Foundation
New Orleans, Louisiana

We have audited the financial statements of Greater New Orleans Sports Foundation (the **Foundation**) (a non-profit organization) as of and for the year ended December 31, 1995 and have issued our report (report dated March 15, 1996).

We conducted our audit in accordance with generally accepted auditing standards and **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Foundation is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors, or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

**INDEPENDENT AUDITORS' REPORT ON THE INTERNAL
CONTROL STRUCTURE BASED ON AN AUDIT OF THE FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GAS**

(Continued)

In planning and performing our audit of the financial statements of the Foundation for the year ended December 31, 1995, we obtained an understanding of the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a reportable condition in which the design or operation of one or more of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities 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 structure and its operations that we consider to be material weaknesses as defined above.

However, we noted other matters involving the internal control structure and its operation that we have communicated to the management of the Greater New Orleans Sports Foundation in a separate letter dated March 15, 1996.

This report is intended for the information of the Board of Directors, management, and the State of Louisiana. However, this report is a matter of public record and its distribution is not limited.

Bruno & Tervalon

**BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS**

March 15, 1996

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Greater New Orleans Sports Foundation
New Orleans, Louisiana

We have audited the financial statements of Greater New Orleans Sports Foundation (the **Foundation**) (a non-profit organization) as of and for the year ended December 31, 1995, and have issued our report thereon dated March 13, 1996.

We conducted our audit in accordance with generally accepted auditing standards, and Government Auditing standards issued by the Comptroller General of the United States. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the **Foundation** is the responsibility of the **Foundation's** management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the **Foundation's** compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance that are required to be reported herein under Government Auditing Standards. However, the results of our procedures disclosed an immaterial instance of noncompliance with these requirements, which are described in a separate communication to management dated March 13, 1996.

INDEPENDENT AUDITORY REPORT ON COMPLIANCE WITH LAWS AND
REGULATIONS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(Continued)

This report is intended for the information of the Board of Directors, management and the State of Louisiana. This restriction is not intended to limit the distribution of this report, which, upon acceptance by the Foundation is a matter of public record.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 15, 1996

GREATER NEW ORLEANS SPORTS FOUNDATION

DECEMBER 31, 1995

EXIT CONFERENCE

An exit conference was held with the following individuals:

GREATER NEW ORLEANS SPORTS FOUNDATION

Mr. Douglas Thornton	--	President
Ms. Colleen Barringer	--	Director of Business Services

BRUNO & TERVALON, Certified Public Accountants

Mr. Michael D. Bruno	--	Managing Partner
Mr. Edward J. Phillips, Jr.	--	Audit Supervisor
Ms. Denise Scott	--	Audit Senior

The audit report was discussed. This report is intended solely for the use of the Board of Directors, management, and the State of Louisiana and should not be used for any other purpose.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 15, 1996

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Greater New Orleans Sports Foundation
New Orleans, Louisiana

We have audited the financial statements of the Greater New Orleans Sports Foundation (the Foundation) for the year ended December 31, 1988 and have issued our report thereon dated March 16, 1989.

As part of our audit, we made a study and evaluation of the internal control structure, including applicable internal administrative controls, to the extent we considered necessary to evaluate the internal control structure as required by generally accepted auditing standards.

During our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters.

Additionally, in connection with our audit, we reviewed the prior-year's auditors' comments to management to determine whether management had implemented appropriate action to correct the conditions giving rise to the comments. The results of our review with respect to the prior-year auditor's comments to management are described in the prior year comments section.

This letter does not affect our report dated March 16, 1989 on the financial statements of the Greater New Orleans Sports Foundation.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

1. CASH DISBURSEMENT TRANSACTIONS

We noted the following during our audit of cash disbursements for the year ended December 31, 1983:

- a. Three (3) cash disbursement transactions out of one hundred and three (103) transactions selected for examination were not supported by invoices;
- b. Eighteen (18) cash disbursement transactions out of forty (40) applicable transactions examined did not have a purchase order on file;
- c. One (1) invoice out of one hundred (100) examined invoices whereby the invoice was not approved for payment although final approval was made by the President with the signing of the check; and
- d. Twenty-eight (28) transactions out of twenty-eight (28) applicable disbursements whereby a receiving report was not utilized.

We recommend that management of the Foundation adhere to established procedures in the processing of cash disbursement transactions. Also, we recommend that management of the Foundation establish procedures to ensure receiving reports are utilized in applicable conditions.

2. COMPETITIVE BID PROCEDURES

The Foundation is a non-profit organization that received and/or expended in excess of \$25,000 in local and/or state assistance during the year. As a result, the Foundation is a State of Louisiana quasi-public entity that must adhere to certain Louisiana revised statutes.

We noted during our audit that the Foundation had not developed adequate procedures to ensure compliance with LA-PS Title 38:2212 which is the public bid law. The Public bid law stipulates that certain procedures must be performed to determine the lowest responsible bidder for certain purchases or contract work in excess of a predetermined amount.

We recommend that management of the Foundation take the necessary steps to ensure compliance with the noted state statute.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT

1. SEPARATION OF DUTIES IN THE ACCOUNTING DEPARTMENT

We noted during our audit for the year ended December 31, 1994 (prior year) that the Administration Manager handled incoming checks, prepared the deposit slips, posted receipts to the subsidiary ledgers, maintained custody of checks after signature and before mailing, received the monthly bank statements and reconciled the operating bank account.

CURRENT STATUS

Currently, the Foundation has hired a new employee whose responsibilities include handling incoming checks, opening the mail and preparing a proform of cash received. Additionally, another employee is responsible for maintaining custody of signed checks and mailing payments to vendors.

However, to strengthen the internal control structure, we believe that the Foundation's President should designate the responsibility of receiving and reviewing the bank statements and cancelled checks to an individual independent of the general ledger related functions. For the fiscal year ended December 31, 1994 the Foundation has designated these responsibilities to someone independent of the general ledger related functions.

2. TIMELY DEPOSIT OF CASH RECEIPTS

We noted during our prior year's audit that cash receipts were not being deposited on a timely basis.

CURRENT STATUS

Currently, cash receipts/checks are being deposited weekly or when checks or cash receipts are in excess of \$1,000.

However, the Foundation has established procedures to ensure that deposits are being made on a timely basis for the December 31, 1994 fiscal year.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

3. BANK RECONCILIATION PROCEDURES

We noted during our prior year's audit that the Foundation had not established procedures to periodically investigate checks outstanding for a period greater than ninety (90) days and examine cancelled checks for irregular endorsements.

CURRENT STATUS

The related procedures were not implemented until after December 31, 1999.

4. FIDELITY BOND

We noted during our prior year's audit that employees assigned the responsibility of handling cash were not bonded.

CURRENT STATUS

The foundation still has not obtained a fidelity bond. This is primarily due to the fact that the handling of cash is infrequent and in small amounts. However, we do recommend that management of the Foundation take the necessary steps to obtain a fidelity bond.

5. PETTY CASH PROCEDURES

We noted during our prior year's audit that the organization failed to establish petty cash procedures.

CURRENT STATUS

currently, the Foundation has developed and implemented petty cash procedures. However, the procedures do not provide for the proper use of prenumbered vouchers. Additionally, the custodian of the petty cash fund was an individual who had access to the recording of the accounting records, although, another individual performs the reconciliation.

The noted procedures were implemented for the December 31, 1999 fiscal year.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

4. ACCOUNTING PROCEDURES MANUAL

We noted during our prior year's audit that the Foundation did not have an accounting procedures manual.

CURRENT STATUS

The Foundation has indicated that an accounting procedures manual will be developed in 1996.

We recommend that management of the Foundation ensure that the accounting procedures manual is developed.

7. PREPARATION OF BUDGETS

We noted during our prior year's audit that the Foundation did not prepare budgets.

CURRENT STATUS

Currently, the Foundation has developed procedures to ensure that budgets are prepared and the comparison of budget information with actual results of operations is performed. As such, this condition is considered to be resolved.

8. CONTRIBUTIONS

We noted during our prior year's audit that the Foundation had not established procedures to issue prenumbered contribution acknowledgment forms to document receipts from individuals and/or corporations.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

8. CONTRIBUTIONS, CONTINUED

CURRENT STATUS

The Foundation still has not developed procedures to issue prenumbered contribution acknowledgment forms.

We recommend that management take the necessary steps to establish such procedures.

9. DONATED MATERIALS, FACILITIES, AND SERVICES

We noted during our prior year's audit that:

- o Management of the Foundation had not established procedures for the recording and valuation of the use of donated facilities, donated office furniture and equipment and donated services;
- o Management had not obtained acknowledgment and approval of the governing board for the use of donated items; and
- o Adequate records were not maintained of each donated item (i.e., description, time value of services, location, quantity or size, period for which donated, restrictions, etc.).

CURRENT STATUS

The Foundation still has not developed the previously noted procedures. Additionally, we noted during our audit of the current year the following:

- o Prenumbered receipts or receiving reports were not issued for donated materials received; and

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)

9. DONATED MATERIALS, FACILITIES, AND SERVICES, CONTINUED

CURRENT STATUS, CONTINUED

- o Periodic physical inventories were not taken on donated materials.

The recording and valuation of donated materials, facilities and services provides to management of the organization financial information on the impact these contributions have on the organization. It also indicates the need for future cash outflows in the event these services are no longer contributed.

We recommend that management of the Foundation continue to address and take immediate steps to develop appropriate procedures for the noted matters in 1986.

10. OFFICE FURNITURE AND EQUIPMENT

We noted during our prior year's audit the following matters regarding office furniture and equipment:

- o Policies for the approval of the governing board for office furniture and equipment additions or disposal had not been developed;
- o Policies were not established that permit the accounting department personnel to:
 - Distinguish between capital items and repairs and maintenance expenses;
 - Determine a cut off below which items are expensed; and
 - Establish depreciable lives.
- o Detailed office furniture and equipment records were not maintained that include descriptions, date purchased or received by donation, cost or fair value at donation, and donor or funding source restrictions on use or disposition;

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

10. OFFICE FURNITURE AND EQUIPMENT, CONTINUED

- o Equipment was not properly identified by numbered metal tags or other means of identification; and
- o Periodic reviews and appraisals were not made relative to insurance considerations.

CURRENT STATUS

The Foundation has indicated that the noted procedures will be developed in 1988.

We recommend that management of the Foundation ensure that the necessary steps are taken to correct the noted conditions.

11. PAYROLL SYSTEM

We noted during our prior year's audit the following conditions regarding the payroll internal control structures:

- o The backgrounds of new employees and former employees were not investigated;
- o Employees were not notified in writing of the Foundation's personnel policies and performance reviews;
- o Vacation and sick day policies were not established;
- o Attendance records were not maintained to establish and accumulate overtime hours, vacation and sick day benefits;
- o Payroll checks were not drawn on a separate account operated on an imprest basis;
- o Paychecks were not distributed by someone independent of preparing payroll, checks or envelopes;

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)

12. PAYROLL SYSTEM, CONTINUED

- o Unclaimed paychecks were returned to an employee who is associated with the payroll function;
- o The total of W-2 wages for the year were not reconciled to the general ledger and payroll register wages paid;
- o A comparison of actual to budgeted payroll was not performed; and
- o Detailed records were not maintained of the liability for compensated absences.

CURRENT STATUS

We noted during our audit for the current year that appropriate corrective action had been taken with regard to the previously noted conditions except that payroll checks were not still not drawn on a separate account operated on an imprest basis.

Additionally, we noted during our audit of the current year that the final approval of payroll before payment should be performed by an individual who is independent of the payroll preparation function.

We were informed by management of the Foundation that the necessary steps to correct the noted conditions were performed in 1996.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

12. PURCHASE ORDER SYSTEM

We noted during our prior year's audit that the Foundation had not established a purchase order system for purposes of properly ensuring the following:

- o Disbursements are authorized and approved prior to incurring the liability; and
- o Disbursements are properly accounted for within the budgetary process.

CURRENT STATUS

We noted during our audit for the current year that management of the Foundation had established a purchase order system.

However, certain deficiencies were noted in the purchase order system as follows:

- o The appropriate procedures to be utilized when emergency purchases exist were not established; and
- o The procedures for the issuance of a copy of the purchase order to the vendor were not established.

We were informed by management of the Foundation that the procedures for emergency purchases are being addressed in the 1996 Accounting Policies and Procedures Manual and the procedures for the issuance of a copy of the purchase order to the vendor have been implemented for the December 31, 1996 fiscal year.

13. RECEIVING REPORTS

We noted during our prior year's audit that the Foundation did not utilize either receiving reports or another means of monitoring receipts of goods such as acknowledging the receipt of materials on accompanying invoices.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

13. RECEIVING REPORTS, CONTINUED

CURRENT STATUS

The Foundation still has not developed procedures for the utilization of receiving reports. As such, we recommend that the Foundation continue in its efforts to institute the use of receiving reports.

Such reports would note the quantity received (determined by count rather than by reference to any accompanying invoice) and any apparent defects. Furthermore, the reports would be attached to invoices and the quantities compared before the invoice is paid to ensure that any existing shortages or defects are subsequently received. The utilization of receiving reports will provide management with proper inventory/asset and accounts payable accounts for financial reporting purposes.

14. CANCELLATION OF VOUCHER PACKAGES

We noted during our prior year's audit that the Foundation had not established a policy to cancel invoices and supporting documentation at the time the invoices are paid.

CURRENT STATUS

Currently, the Foundation has implemented a policy of canceling invoices and supporting documents at the time the invoices are paid. As such, this condition is considered to be resolved.

15. FUNDS IN EXCESS OF FDIC COVERAGE

We noted during our prior year's audit that the cash balance of funds deposited in a money market account and checking account at a local bank totaled \$163,960. As such, management of the Foundation had cash funds in one bank totaling \$63,960 in excess of the FDIC insurance coverage of \$100,000.

**INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)**

**STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)**

15. FUNDS IN EXCESS OF FDIC COVERAGE, CONTINUED

CURRENT STATUS

We noted during our audit of the current year that management of the Foundation had not maintained in one bank, funds in excess of the FDIC coverage.

However, we did note that the organization had invested \$120,346 of funds in an unsecured money market fund.

We recommend that consideration be given to investing the noted funds in a insured or collateral secured investment.

16. ORGANIZATION CHART

We noted during our prior year's audit that the Foundation had not developed an organization chart.

CURRENT STATUS

Currently, the Foundation has developed an organization chart. As such, this condition is resolved.

17. CASH DISBURSEMENTS

We noted during our prior year's audit that selected cash disbursement transactions were not processed in accordance with a proper system of internal control.

CURRENT STATUS

We noted similar conditions during our current year's audit. As such, this condition remains unresolved.

18. EMPLOYEE ALLOWANCE

We noted during our prior year's audit that a procedure had not been established to assure that employee allowances were included in the related employee's taxable income and reported to the Internal Revenue Service.

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT
(CONTINUED)

STATUS OF PRIOR YEAR COMMENTS TO MANAGEMENT
(CONTINUED)

18. EMPLOYEE ALLOWANCE, CONTINUED

CURRENT STATUS

We noted during our audit for the year ended December 31, 1995 that the Foundation had established procedures to ensure that employee allowances are properly included in the related employee's taxable income and reported to the Internal Revenue Service. As such, this condition is resolved.

19. AUTHORIZED CHECK SIGNATURES

We noted during our prior year's audit that a policy had not been established to ensure that the Board of Directors annually approve or re-approve the list of personnel authorized to sign checks and execute contracts.

CURRENT STATUS

Currently, the management of the Foundation has established such a policy. As such, this condition is considered to be resolved.

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

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

March 15, 1996