

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Notes to Schedule of Federal Awards

Year ended December 31, 1996

(1) **General**

The accompanying schedule of federal awards presents the activity of all federal awards of the Biomedical Research Foundation of Northwest Louisiana. The reporting entity is defined in note 1 to the Foundation's combined financial statements.

(2) **Basis of Accounting**

The accompanying schedule of federal awards is presented using the accrual basis of accounting, which is described in note 1 to the Foundation's combined financial statements.

(3) **Relationship to Combined Financial Statements**

Grants are reported in the Foundation's financial statements as revenue-grants and contracts as follows:

Federal awards	\$	172,698
State awards		1,863,069
Other		<u>535,917</u>
	\$	<u>2,571,684</u>

(4) **Relationship to Federal Financial Reports**

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

KPMG Peat Marwick LLP

888 Commercial No. Canal Street
1000 Canal Street
Baton Rouge, LA 70801-3887

Independent Auditor's Report on Compliance With Control Requirements

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana as of and for the year ended December 31, 1998, and have issued our report thereon dated April 22, 1997.

We have applied procedures to test the Biomedical Research Foundation of Northwest Louisiana's compliance with the following requirements applicable to its major federal program, which is identified in the accompanying schedule of federal awards, for the year ended December 31, 1998: political activity, civil rights, cash management, federal financial reports, allowable cost/allow principal, drug-free workplace, and administrative requirements.

Our procedures were limited to the applicable procedures described in the *Office of Management and Budget's Compliance Supplement for Single Audits of Institutions of Higher Learning and Other Nonprofit Organizations*. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Biomedical Research Foundation of Northwest Louisiana's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the second paragraph of this report. With respect to items not tested, nothing came to our attention that caused us to believe that the Biomedical Research Foundation of Northwest Louisiana had not complied, in all material respects, with those requirements.

This report is intended for the information of the Board of Directors and management of the Biomedical Research Foundation of Northwest Louisiana and the U.S. Department of Energy. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

April 22, 1997

This report is intended for the information of the Board of Directors and management of the Biomedical Research Foundation of Northeast Louisiana and the U.S. Department of Energy. However, this report is a matter of public record and its distribution is not limited.

K. P. 006 East Mainville, LA

April 23, 1997

KPMG Peat Marwick LLP

1000 Commercial No. and Canal Street
100 North Street
Newport, LA 70052-2820

Independent Auditor's Report on Compliance With Specific Requirements Applicable to Major Programs

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana as of and for the year ended December 31, 1995, and have issued our report thereon dated April 22, 1997.

We have also audited the Biomedical Research Foundation of Northwest Louisiana's compliance with the requirements governing: types of services allowed or unallowed; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal program, which is identified in the accompanying schedule of federal awards, for the year ended December 31, 1995. The management of the Biomedical Research Foundation of Northwest Louisiana is responsible for the Biomedical Research Foundation of Northwest Louisiana's compliance with these requirements. Our responsibility is to express an opinion on compliance with these requirements based on our audit.

We conducted our audit of compliance with these requirements in accordance with generally accepted auditing standards; Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, *Audit of Institutions of Higher Education and Other Nonprofit Organizations*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the Biomedical Research Foundation of Northwest Louisiana's compliance with these requirements. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the Biomedical Research Foundation of Northwest Louisiana complied, in all material respects, with the requirements governing: types of services allowed or unallowed; reporting; special tests and provisions; and claims for advances and reimbursements that are applicable to its major federal program for the year ended December 31, 1995.

However, we cannot obtain beneficial status involving the internal control structure and its operation that we have reported to the management of the Biomedical Research Foundation of Northwest Louisiana in a separate letter dated April 22, 1997.

This report is intended for the information of the Board of Directors and management of the Biomedical Research Foundation of Northwest Louisiana and the U.S. Department of Energy. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

April 22, 1997

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.

For the purpose of this report, we have classified the significant internal control structure policies and procedures used in administering federal awards in the following categories:

Accounting controls

- Revenue-related receipts
- Purchases/disbursements
- Payroll

General requirements

- Political activity
- Civil rights
- Cash management
- Federal financial reports
- Allowable cost/expense principles
- Drug-free workplace
- Administrative requirements

Specific requirements

- Types of services allowed or disallowed
- Reporting
- Special tests and provisions

Claims for advances and reimbursements

For all of the internal control structure categories listed above, we obtained an understanding of the design of relevant policies and procedures and determined whether they have been placed in operation, and we assessed control risk.

During the year ended December 31, 1996, the Biomedical Research Foundation of Northwest Louisiana expended 98% of its total federal awards under its major program.

We performed tests of controls, as required by OMB Circular A-113, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements that are applicable to the Biomedical Research Foundation of Northwest Louisiana's major program, which is identified in the accompanying schedule of federal awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

Our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might constitute material weaknesses (and standards established by the American Institute of Certified Public Accountants). A material weakness is a condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a federal awards program 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 operation that we consider to be material weaknesses as defined above.

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Baton Rouge, LA 70801-3000

**Independent Auditor's Report on the Internal
Control Structure Used in Administering Federal Awards**

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana as of and for the year ended December 31, 1996, and have issued our report thereon dated April 22, 1997. We have also audited the Biomedical Research Foundation of Northwest Louisiana's compliance with requirements applicable to its major federal award programs and have issued our report thereon dated April 22, 1997.

We conducted our audit in accordance with generally accepted auditing standards, Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, *Audit of Institutions of Higher Education and Other Recipients' Institutions*. These standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement and about whether the Biomedical Research Foundation of Northwest Louisiana complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing our audit for the year ended December 31, 1996, we considered the Biomedical Research Foundation of Northwest Louisiana's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinions on the Biomedical Research Foundation of Northwest Louisiana's financial statements and on its compliance with requirements applicable to the major federal award programs, and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. We have addressed policies and procedures relevant to our audits of the financial statements in a separate report dated April 22, 1997.

The management of the Biomedical Research Foundation of Northwest Louisiana is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, objectives 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, 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, and that federal awards programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of

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Independent Auditor's Report on Compliance with Laws, Regulations, Contracts, and Grants Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana as of and for the year ended December 31, 1996, and have issued our report thereon dated April 23, 1997.

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 Biomedical Research Foundation of Northwest Louisiana is the responsibility of the Biomedical Research Foundation of Northwest Louisiana's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Biomedical Research Foundation of Northwest Louisiana's compliance with certain provisions of laws, regulations, contracts, and grants. However, providing an opinion on overall compliance with such provisions was not an objective of our audit of the financial statements. 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.

This report is intended for the information of the Board of Directors and management of the Biomedical Research Foundation of Northwest Louisiana and the U.S. Department of Energy. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

April 23, 1997

500 Commercial National Tower
500 West Street
Greenville, LA 70001-2007

**Independent Auditors' Report on the Internal
Control Structure Based on an Audit of Financial Statements
Performed in Accordance With Government Auditing Standards**

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana as of and for the year ended December 31, 1996, and have issued our report thereon dated April 23, 1997.

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 Biomedical Research Foundation of Northwest Louisiana 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, projections 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.

In planning and performing our audit of the financial statements of the Biomedical Research Foundation of Northwest Louisiana for the year ended December 31, 1996, we obtained an understanding of the internal control structure. With respect to 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.

BIOMEDICAL RESEARCH PROGRAMS OF NORTHEAST LOUISIANA

Medical Research Assets

Transmitted to 75, 1994

Grant Title	FY94 FTE Staff	Grant Number	Grant Funding Award Contract	Annual Funding Award (\$100,000)	Annual Funding Award (\$100,000)	Over Award Award (\$100,000)	Disbursement Available
Alton Program - Operations of Biotech - Office for Establishment of Center for Biotechnology	20.0	20-FY94-9005220	\$	0	0	0	0
Biotech Program - Biophysics of Biotech - Office for Establishment of Biotech Research	20.0	20-FY94-9005242	1,000,000	0	0	1,000,000	1,000,000
Transmitted Total			1,000,000	0	0	1,000,000	1,000,000

See accompanying notes to schedule of listed assets

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 condition in which the design or operation of one or more of the 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 operation that we consider to be material weaknesses as defined above.

We noted other immaterial matters involving the internal control structure and its operation that we have reported to the management of the Biomedical Research Foundation of Northwest Louisiana in a separate letter dated April 22, 1997.

This report is intended for the information of the Board of Directors and management of the Biomedical Research Foundation of Northwest Louisiana and the U.S. Department of Energy. However, this report is a matter of public record and its distribution is not limited.

KPMG Peat Marwick LLP

April 22, 1997

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Schedule of Federal Awards

Year ended December 31, 1988

Table of Contents

	<u>Page(s)</u>
Independent Auditors' Report on Supplementary Information - Schedule of Federal Awards	1
Schedule of Federal Awards	2
Notes to Schedule of Federal Awards	3
Independent Auditors' Report on the Internal Control Structure Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	4-8
Independent Auditors' Report on Compliance with Laws, Regulations, Contracts, and Grants Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	6
Independent Auditors' Report on the Internal Control Structure Used in Administering Federal Awards	7-9
Independent Auditors' Report on Compliance With Specific Requirements Applicable to Major Programs	10-11
Independent Auditors' Report on Compliance With General Requirements	12
Schedule of Findings and Questioned Costs	13
Follow-up on Prior Year Findings	14

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**BIO-MEDICAL RESEARCH FOUNDATION
OF NORTHWEST LOUISIANA**

Schedule of Federal Awards

December 31, 1996

(With Independent Auditor Report Thereon)

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.

Release Date _____

BIO MEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Schedule of Findings and Questioned Costs

Year ended December 31, 1996

Findings	Questioned Costs
Specific Compliance Requirements	
No findings.	

BIOMEDICAL RESEARCH FOUNDATION OF NORTHWEST LOUISIANA

Follow-up on Prior Year Findings

Year ended December 31, 1995

Findings	Questioned Costs
<u>Specific Compliance Requirements:</u>	
The Foundation was late in filing its Federal Cash Transactions Reports, OMB Form 372, for the months January through November during 1995.	\$ —
The Foundation was late in filing its Federal Assistance Management, Summary Report and its Federal Assistance Program/Project Status Report for the first three quarters of 1995.	—
The Foundation was late in filing its annual Financial Status Report, OMB Form 268, for the year ended December 31, 1995.	—
The Foundation does not have a formal travel policy.	—
<u>Endnotes:</u>	
Reports were filed timely in 1996.	
A travel policy was approved by the Board of Directors and effective April 1, 1997.	

KPMG Peat Marwick LLP

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Shreveport, LA 71201-0001

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April 22, 1997

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

Dear Members:

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana (the "Foundation") for the years ended December 31, 1996 and 1995, and have issued our report thereon dated April 22, 1997. Under generally accepted auditing standards, we are providing you with the following information related to the conduct of our audit:

Our Responsibility Under Generally Accepted Auditing Standards

Our responsibility under generally accepted auditing standards is to express an opinion on the financial statements of the Foundation based on our audits. In carrying out this responsibility, we assessed the risk that the financial statements may contain a material misstatement, either intentional or unintentional, and designed and conducted our audits to provide reasonable, not absolute, assurance of detecting misstatements that are material to the financial statements. In addition, we considered the internal control of the Foundation to gain a basic understanding of the internal control activities to design an effective and efficient audit approach, not for the purpose of providing assurance on internal control.

Significant Accounting Policies

The significant accounting policies used by the Foundation are described in note 1 to the financial statements.

During 1996, the Foundation adopted Statement of Financial Accounting Standard No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations*, by retroactive restatement of prior year financial statements. This Statement requires investments in equity securities with readily determinable fair values and all investments in debt securities be reported at fair value with gains and losses included in the statement of activities. The adoption of this Statement was not material to the financial statements.

No other new accounting policies were adopted and the application of existing policies was not changed during the year ended December 31, 1996.

We noted no transactions entered into by the Foundation during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of substantive guidance or consensus.

Significant Audit Adjustments

We proposed no corrections of the financial statements that were not recorded and that could, in our judgment, either individually or in the aggregate, have a significant effect on the Foundation's financial reporting process.

Accounting Estimates

Accounting estimates are an integral part of the financial statements. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

An expense has been recorded in an amount equal to the outstanding loan balance to ICON. This loan has not been recorded as an asset due to the uncertainty of its collectibility as of December 31, 1996.

There also is the possibility that, upon audit, the Department of Energy could request a refund of previous amounts funded. The Foundation is not aware of any significant amounts that would have to be refunded and no amounts have been recorded as refundable at December 31, 1996.

Disagreements With Management

There were no disagreements with management on financial accounting and reporting matters which, if not satisfactorily resolved, would have caused a modification of our report on the Foundation's December 31, 1996, financial statements.

Consultation With Other Accountants

To the best of our knowledge, management has not consulted with or obtained opinions, written or oral, from other independent accountants during the past year which were subject to the requirements of Statement on Auditing Standards No. 80, *Agree on the Application of Accounting Principles*.

Major Issues Discussed With Management Prior to Retention

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to our retention as the Foundation's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana
April 22, 1997
Page 3

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing our audit.

* * * * *

This information is intended solely for the use of the Board of Directors and management and should not be used for any other purpose.

Very truly yours,

K. P. McInnis, CPA, Chairman, LLC

KPMG Peat Marwick LLP

800 Commercial & Broad Street
500 Texas Street
Shreveport, LA 71201-3660

April 22, 1997

CONFIDENTIAL

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana

We have audited the financial statements of the Biomedical Research Foundation of Northwest Louisiana (the "Foundation") for the years ended December 31, 1996 and 1995, and have issued our report dated April 22, 1997. In planning and performing our audit of the financial statements of the Foundation, we considered internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. We have not considered internal control since the date of our report.

During our audit, we noted certain matters involving internal control and other operational matters that are presented for your consideration. These concerns and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve internal control or result in other operating efficiencies and are summarized as follows:

RECONCILIATIONS

During our audit we noted several instances where the supporting schedules for various classifications of assets did not agree to the general ledger. While the differences were not material, it brings into question the controls in place and the effectiveness of the reconciliation process. Following is a summary of the differences we noted:

Fixed Assets

Detailed supporting schedules for computing depreciation of fixed assets are maintained on a PC spreadsheet. We noted an error in one of the formulas, as well as instances where the accelerated depreciation exceeded the cost basis of individual assets. In addition we noted minor differences between the supporting schedules and the general ledger. Considering the significant amount of dollars in fixed assets, use of a fixed asset software package would be beneficial and help reduce the possibility of errors.

Management's Response

Management agrees. We currently maintain a detailed inventory of fixed assets on the LSUMC-S computer system. They take a physical inventory annually. This provides adequate control over the fixed assets themselves. A software package that combines both functions would be helpful. Additional manpower may also be necessary to coordinate the services currently being provided by LSUMC-S. Current plans call for us to begin a review of available software this summer with a final selection by the end of the year. Conversion should be completed by this time next year.

The Board of Directors
Biomedical Research Foundation of Northwest Louisiana
April 22, 1997
Page 2

Restricted Net Assets

A detailed supporting schedule for permanently restricted assets is maintained on a PC spreadsheet. The supporting schedule was not reinserted to the general ledger in 1996. The Foundation should periodically reconcile the supporting detail for these assets to the general ledger.

Management's Response

Management agrees and plans to incorporate this detail into the general ledger so that a reconciliation is not required in the future.

* * * * *

We would like to take this opportunity to acknowledge the courtesy and assistance extended to us by the personnel of the Foundation during the course of our audit. If we can be of further assistance with any of the above matters, please call us at:

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization.

Very truly yours,

KPM's Paul Marwick, LLP