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50 NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
4115 S. CLAIBORNE AVENUE
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AUDIT OF FINANCIAL STATEMENTS
FOR THE YEAR ENDED
JUNE 30, 1997

CARL H. JOHNSON
CERTIFIED PUBLIC ACCOUNTANT
1661 TULANE AVE
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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 8/20/98

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

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**REPORT ON BASIC FINANCIAL STATEMENTS AND SCHEDULE OF
FEDERAL AWARDS**

New Orleans Educational Talent Search Program, Inc.
4215 S. Claiborne Avenue
New Orleans, LA 70025

I have audited the accompanying balance sheet of New Orleans Educational Talent Search Program, Inc., as of June 30, 1997, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of New Orleans Educational Talent Search Program, Inc., management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my 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 I 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. I believe the my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position New Orleans Educational Talent Search Program, Inc. as of June 30, 1997, and its cash flows for the year then ended in conformity with generally accepted accounting principles.

As discussed in Note G to the financial statement, the organization does not maintain proper controls of cost allocations. These inaccuracies may cause problems with these cognizant agency.

In accordance with Government Auditing Standards, I have issued a report dated June 25, 1998 on my consideration of New Orleans Educational Talent Search Program, Inc.'s internal control structure and report dated June 25, 1998 on compliance with laws and regulation.

My audit was made for the purpose of forming an opinion on the basic financial statements of New Orleans Educational Talent Search Program, Inc. taken as a whole. The accompanying Schedule of Federal Awards for the years ended June 30, 1997 is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in that Schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Carl B. Johnson
Certified Public Accountant

June 25, 1998

**NEW MEXICO EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED JUNE 30, 1997**

	ASSETS	
CURRENT ASSETS		
Cash	\$475	
Accounts Receivable	1,885	
Due from Others	48,780	
	51,140	
TOTAL CURRENT ASSETS		51,140
FIXED ASSETS		
Buildings	240,000	
Furniture and Equipment	25,054	
Less: Accumulated Depreciation	(151,150.00)	
	113,904	
NET FIXED ASSETS		0
ASSETS		51,140
LIABILITIES AND NET ASSETS		
LIABILITIES		
Payroll Taxes Payable	\$1,416	
Notes Payable	48,817	
	50,233	
NET ASSETS		0
Unrestricted	0	
Permanently Restricted	0	
	0	
TOTAL LIABILITIES AND NET ASSETS		51,140

See Auditor's Report and Notes to the Financial Statements

NEW BRIDGE EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1997

	REVENUE			
	<u>General</u>	<u>T.A. Program</u>	<u>Emp. Fee</u>	<u>Gifts</u>
Grant Revenue	<u>\$10,081</u>	<u>98,620</u>	<u>47,106</u>	<u>\$155,807</u>
OPERATIONAL EXPENSES				
Salaries	\$5,027	\$75,424	24,250	\$104,701
Employee Benefits	25,022	19,129	3,294	47,445
Taxes	2,246	1,469	0	3,715
Professional Services	1,177	1,402	0	2,579
Program Service	0	15,702	0	15,702
Rent	0	80,055	7,000	87,055
Telephone	8,482	1,120	0	9,602
Supplies	901	3,289	8,791	12,981
Postage	0	829	0	829
Utilities	3,491	3,026	0	6,517
Operating Expense	1,546	11,844	3,489	16,879
Donated	0	0	0	0
Total Operating Expenses	<u>\$45,944</u>	<u>\$146,620</u>	<u>47,106</u>	<u>\$239,570</u>
Change in Net Assets	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance Beginning	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance Ending	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>

NEW DELAWARE EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1997

Cash Flows from Operating Activities		
Net Income	\$	0
Adjustments to reconcile net income to net cash provided by operating activities:		
Change in accounts receivable	21,471	
Change in accounts payable	(14,500)	
Change in other current liabilities	16,042	
Total Adjustments	<u>23,013</u>	
Net Cash Provided by Operating Activities	\$	23,013
Cash Flows from Financing Activities		
Payment of long term debt	(16,700)	
Net Cash Provided by Financing Activities	<u>(16,700)</u>	
Net Increase/(Decrease) in Cash	\$	7,313
Cash at Beginning of Period	<u>0</u>	
Cash at End of Period	\$	<u>7,313</u>

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
NOTES TO FINANCIAL STATEMENTS
For Year Ended June 30, 1997

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

New Orleans Educational Talent Search Program, Inc., hereafter referred to as "NORITS", is a Non-Profit Organization established to provide social services to residents of New Orleans, La. The source of revenue comes from the Department of Health and Hospitals, Office of Alcohol and Drug Abuse and Department of Social Services, Office of Family Support.

Basis of Accounting

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles. They are presented on the accrual basis of accounting.

Financial Statement Presentation and Classifications

In 1996, NORITS adopted Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-Profit Organizations." Under SFAS No. 117, NORITS is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. In addition, NORITS is required to present a statement of cash flows. As permitted by SFAS No. 117, NORITS has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present classes of net assets. This reclassification had no effect on the change in net assets for 1996.

NORITS also adopted SFAS No. 116 "Accounting for Contributions Received and Contributions Made" in 1996. In accordance with SFAS No. 116, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. The adoption of SFAS No. 116 had no effect on net assets or the change in net assets as of or for the year ended June 30, 1997. In addition, NORITS has not received any contributions with donor-imposed restrictions that would result in temporarily or permanently restricted net assets.

NOTE B - EXEMPT STATUS

The corporation is tax exempt under provisions of Sections 501 (c) (3) of the Internal Revenue Code and has no part of the applicable provisions of the law.

NOTE C - LAND, BUILDING AND EQUIPMENT, NET

Fixed assets are stated at cost. Depreciated property and equipment are stated at fair market value at the date of donation. Depreciation is computed using the straight line method over the estimated useful lives of the assets.

Total fixed assets as of June 30, 1997 was valued at \$ 46. Fixed assets consisted of the following categories:

Description	Life	Date Acq	Cost	Accum Depn	Basis 6-30-96
IBM System 38 and Peripheral	7yrs	1984	240,000	240,000	0
Furniture & Office Equipment	7yrs	Var	21,154	21,154	0
Total			<u>261,154</u>	<u>261,154</u>	<u>0</u>

NOTE D - NOTE PAYABLE

Notes payable consisted of the following at June 30, 1997

Note payable to Liberty bank, interest at bank's prime rate (8.25% due upon demand)	\$ 28,857
Note payable to Military bank, interest at bank's prime rate (8.25% due upon demand)	9,000
	<u>\$ 38,858</u>

NOTE E - COMPENSATION TO DIRECTORS

The members of the Board of Directors received no compensation for services related to the governing of this agency or any of its programs nor were there any accruals made for these activities during the period being audited.

NOTE F - ECONOMIC DEPENDENCY

The agency receives the majority of its revenue from funds provided through grants administered by various state and city agencies. If significant budget cuts are made at the federal, state and/or city level, the amount of the funds the organization receives could be reduced significantly and have an adverse impact on its operation. Management is not aware of any actions that will adversely affect the amount of funds it will receive in the next fiscal year.

NOTE G - CASH

The agency maintains only one checking account for the entire organization. Amount receivable are factors and the bank deposits do not reflect the entire amount of funds received from the cognizant agency. Cost of factoring is absorbed by the general funds which is not reconciled. Additionally, the program expenditures are not identified in a specific account in the general ledger. The lack of separate program account provided inadequate control of cost and proper distribution of program expenditures.

NOTE H - CONTINGENCIES

It has been discovered that the agency filed several of its informational and tax returns late to the federal and state authorities. It is reasonably possible that penalties will be imposed for such transgressions. However, based on the agency's experience with such matters along with the inherent difficulties in calculating such penalties (i.e., time factors and type of penalties), we cannot reasonably estimate the amount of such penalties.

INTERNAL CONTROL REPORTS

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

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.
4215 S. Chalmette Avenue
New Orleans, LA 70125

I have audited the financial statements of New Orleans Educational Talent Search Program, Inc. as of and for the years ended June 30, 1997, and have issued my report thereon dated June 15, 1998.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of New Orleans Educational Talent Search Program, Inc. 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 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 basic 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 my 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 my audit of the financial statements of New Orleans Educational Talent Search, Inc. for the year ended June 30, 1997, I obtained an understanding of the internal control structure. With respect to internal control structure, I obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and I assessed control risk in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, I do not express such an opinion.

For the purpose of this report, I have classified the significant internal control structure policies and procedures in the following categories:

Accounting Applications

1. Billings (in regards to reimbursement request)
2. Cash Receipts
3. Cash Disbursements
4. Revenues and Receivable
5. Purchasing
6. Payroll
7. Property and Equipment

Controls used in Administering Federal Programs

General Requirements

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports

Specific Requirements

- Types of Services
- Eligibility of Cost
- Cost Allocation
- Cost Incurred in Approved Period
- Grant Budgets and Revisions

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

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involved matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the organization's ability to record, process, summarize, and report financial data in a manner that is consistent with the assertions of management in the financial statements.

REPORTABLE CONDITIONS

1. Budget

The agency did not maintain budgets for active programs.

I recommended that the organization set up budgetary controls on all active programs and monitor these budgets on a monthly basis.

2. Cash

The agency maintains one checking account for the program funds and general account. It is often unclear as to whom the program expenditures should be applied to.

I recommended that separate checking accounts be maintain for all program funds and a payroll checking account be established.

3. Reporting

The organization requested reimbursement for cost in the operations of the program via a cost control report or approved invoicing. A comparison of the cost report to the recipient agencies and the general ledger reflected that general ledger balances were not in agreement with the reimbursement.

I recommended that separate accounts should be maintain for each program.

A material weakness is a reportable 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 would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are considered to be material weaknesses as defined above. However, I noted the following reportable conditions that I believe to be material weaknesses.

MATERIAL WEAKNESS

1. Sequential Order Check Number

During my review, it was noted that the check numbers were out of sequence. Checks are routinely use with no regard to the numeric sequential order.

I recommend that number sequence of checks be enforced.

2. Single Signature on Checks

During my review, it was noted that only one signature was on the checks.

It is recommended that dual signatures should be required for internal control purposes.

This report is intended for the information of the audit committee, management, and officers within the organization and appropriate state and federal agencies. However, this report is a matter of public record and its dissemination is not limited.



Carl R. Johnson
Certified Public Accountant

June 25, 1998

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**REPORT ON INTERNAL CONTROL STRUCTURE USED IN
ADMINISTERING FEDERAL AWARDS**

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.,
4215 S. Claiborne Avenue
New Orleans, LA 70125

I have audited the basic financial statements of New Orleans Educational Talent Search Program, Inc. as of and for the years ended June 30, 1997, and have issued my report thereon dated June 25, 1998.

I conducted my 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, *Audits of Institutions of Higher Education and Other Non-profit Institutions*. These standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether New Orleans Educational Talent Search Program, Inc., complied with laws and regulations, noncompliance with which would be material to a major federal program.

In planning and performing my audit for the year ended June 30, 1997 I considered New Orleans Educational Talent Search Program, Inc., control structure in order to determine my auditing procedures for the purpose of expressing my opinion on New Orleans Educational Talent Search Program, Inc., financial statements and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses my consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal programs. I have addressed policies and procedures relevant to my audit of the financial statements in a separate report dated June 25, 1998.

The management of New Orleans Educational Talent Search Program, Inc., 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, 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 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, I have classified the significant internal control structure policies and procedures used in administering federal programs in the following categories:

Accounting Applications

1. Billings (in regards to reimbursement request)
2. Cash Receipts
3. Cash Disbursements
4. Reserves and Receivable
5. Purchasing
6. Payroll
7. Property and Equipment

Controls used in Administering Federal Programs

General Requirements

- Political Activity
- Civil Rights
- Cash Management
- Federal Financial Reports
- Drug Free Workplace

Specific Requirements

- Types of Services
- Eligibility of Cost
- Cost Allocation
- Cost Incurred in Approved Period
- Grant Budgets and Revisions

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

During the years ended June 30, 1997 New Orleans Educational Talent Search, Inc., expended 160% of its total federal awards under non-major programs.

I performed test of controls as required by OMB Circular A-133 to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that I considered relevant to relevant to processing or detecting material noncompliance with specific requirements, general requirement and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the organization's major programs, which are identified in the accompanying schedule of federal awards. My procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, I do not express such an opinion.

I noted certain matters involving the internal control structure and its operation that I consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involved matters coming to my attention relating to significant deficiencies in the design or operation of the internal control structure that, in my judgment, could adversely affect the Organization's ability to administer federal awards programs in accordance with applicable laws and regulations.

REPORTABLE CONDITIONS

1. Budget

The agency did not maintain budgets for active program.

I recommended the organization set up budgetary controls on all active programs and monitor these budgets on a monthly basis.

2. Cash

The agency maintains one checking account for the program funds and general account. It is often unclear as to whom the program expenditures should be applied to.

I recommended that separate checking accounts be maintain for all program funds and a payroll checking account be establish.

3. Reporting

The organization requested reimbursement for cost in the operation of the program via a cost control report or approved invoicing. A comparison of the cost report to the cognate agencies and the general ledger reflected that general ledger balances were not in agreement with the reimbursement.

I recommend that separate accounts be maintain for each program.

A material weakness is a reportable 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 would be material in relation to the financial statement being audited, may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

My consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessary disclose all reportable conditions that are considered to be material weaknesses as defined above. However, I noted the following reportable conditions that I believe to be material weaknesses.

MATERIAL WEAKNESS

1. Sequential Order Check Number

During my review, it was noted that the check numbers were out of sequence. Checks are randomly use with no regard to the number sequential order.

I recommend that number sequence of checks be enforce.

2. Signature on Checks

During my review, it was noted that only an signature was on the checks.

It is recommended that dual signatures should be required for internal control purposes.

This report is intended for the information of the audit committee, management, and others within the organization and appropriate state and federal agencies. However, this report is a matter of public record and its distribution is not limited.



Carl J. Williams

Certified Public Accountant

June 25, 1998

COMPLIANCE REPORTS

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**REPORT ON COMPLIANCE WITH LAWS, REGULATIONS, CONTRACTS
AND GRANTS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING
STANDARDS**

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.
4215 S. Claiborne Avenue
New Orleans, La. 70125

I have audited the financial statements of New Orleans Educational Talent Search Program, Inc., as of and for the year ended June 30, 1997, and have issued my report thereon dated June 25, 1998.

I conducted my 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 I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

Compliance with laws, regulations, contracts, and grants applicable to New Orleans Educational Talent Search Program's is the responsibility of New Orleans Educational Talent Search Program, Inc. management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, I performed tests of New Orleans Educational Talent Search Program, Inc.'s compliance with certain provisions of laws, regulations, contracts and grants. However, my objective was not to provide an opinion on overall compliance with such provisions. Accordingly, I do not express such an opinion.

Material instances of noncompliance are failures to follow requirements, or violations of prohibitions, contained in laws, regulations, contract, or grants that cause me to conclude that the aggregation of this misstatement resulting from those failures or violations is material to the financial statements. The results of my tests of compliance disclosed the following material instances of noncompliance.

1. Information and Payroll Tax Returns

Condition

Federal and state employment and informational tax returns were filed and paid late, including Forms 941s, 990 and state withholding reports.

Criteria

Federal and state laws require timely filing and payment of reports.

Effect of condition

Penalties and interest may be assessed due to late filing and payment of returns.

2. Completed Audited Financial Statements

Condition

The audit for New Orleans Educational Talent Search Program, Inc. for the period ending June 30, 1997 was not submitted within six months of the close of the entity's fiscal year as required by Louisiana Revenue Statute 24:213.

Criteria

Based on the approved engagement, nine copies of the audit report should have been submitted to the Legislative Auditor by December 30, 1997.

Effect of Condition

Since the audit was not issued after the six months of the statutory date, the agency is in non-compliance of its contract.

3. Employer Classification

Condition

The agency employs all of its instruction counselors as independent contractors. The relationship between the agency and instructional counselor may be construed as employer/employee.

Criteria

Federal Law requires that proper classification of employment is required of the agency in order comply with federal employment regulation.

Effect of Condition

Penalties may be assessed on the agency for not complying the Federal Laws.

Except as described above, the results of our tests of compliance indicate that with respect to the items tested, complied, in all material respects, with the provisions referred to in the third paragraph of this report; and, with respect to items not tested, nothing came to my attention that caused me to believe that New Orleans Educational Talent Search Program, Inc. had not complied, in all material respects, with those provisions.

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 is a matter of public record.



Carl R. Johnson
Certified Public Accountant

June 23, 1998

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH SPECIFIC
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS**

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.
4035 S. Chalmette Avenue
New Orleans, LA 70125

I have audited the basic financial statements of New Orleans Educational Talent Search Program, Inc. as of and for the year ended June 30, 1997 and have issued my report thereon dated June 25, 1998.

I have also audited New Orleans Educational Talent Search Program, Inc.'s compliance with the requirements governing types of services allowed or not allowed; eligibility; matching; level of effort; or cost-sharing; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal financial assistance programs, which are identified in the accompanying schedule of federal financial assistance, for the year ended June 30, 1997. The management of New Orleans Educational Talent Search Program, Inc. is responsible for the New Orleans Educational Talent Search Program, Inc. compliance with these requirements. My responsibility is to express an opinion on compliance with these requirements based on my work.

Because of the matter discussed in the first paragraph of this report, the scope of audit work was not sufficient to enable me to express, and I do not express, an opinion on New Orleans Educational Talent Search Program, Inc.'s compliance with the requirements governing types of services allowed or not allowed; reporting; financial reports and claims for advances and reimbursements that are applicable to each of its major federal programs for the year ended June 30, 1997.

With respect to the items tested, the results of my procedures disclosed no material instance of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that New Orleans Educational Talent Search Program, Inc. has not complied, in all material respects, with these requirements. However, the results of my procedures disclosed immaterial instances of noncompliance with these requirements, which are described in the accompanying schedule of findings and recommendations.

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 is a matter of public record.



Carl B. Johnson
Certified Public Accountant

June 25, 1998

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**REPORT ON COMPLIANCE WITH SPECIFIC REQUIREMENT APPLICABLE
TO NON-MAJOR PROGRAM TRANSACTION**

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.
4215 S. Claiborne Avenue
New Orleans, LA 70125

I have audited the basic financial statements of New Orleans Educational Talent Search Program, Inc., as of and for the year ended June 30, 1997, and have issued my report thereon dated June 25, 1998.

In connection with my audit of the June 30, 1997 financial statements of New Orleans Educational Talent Search Program, Inc., and with my study and evaluation of the agency's internal control structure used to administer federal programs, as required by Office of Management and Budget Circular A-133, "Audit of Institutions of Higher Education and Other Non-Profit Organizations," I selected certain transactions applicable to certain non-major federal financial assistance programs for the years ended June 30, 1997. As required by circular A-133, I have performed auditing procedures to test compliance with the requirements governing types of services allowed or disallowed and eligibility that are applicable to those transactions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Agency's compliance with these requirements. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of these procedures disclosed no material instances of non-compliance with requirements listed in the preceding paragraph. With respect to items not tested, nothing came to my attention that caused me to believe that New Orleans Educational Talent Search Program, Inc., had not complied, in all material respects, with these requirements. However, the results of my procedures disclosed immaterial instances of non-compliance with these requirements, which are described in the accompanying schedule of findings and recommendations.

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 is a matter of public record.



Carl R. Johnson
Certified Public Accountant

June 25, 1998

2847 Tulane Ave.
Suite B
New Orleans, La. 70118

(504) 822-8477
(504) 383-0042, Pager
E-Mail: crjohns@sol.com

**REPORT OF COMPLIANCE WITH GENERAL REQUIREMENT - NO
MATERIAL
NON COMPLIANCE IDENTIFIED**

To the Board of Directors
New Orleans Educational Talent Search Program, Inc.,
4215 S. Chalmette Avenue
New Orleans, LA. 70125

I have audited the basic financial statements of New Orleans Educational Talent Search Program, Inc., as of and for the year ended June 30, 1997, and have issued my report thereon dated June 25, 1998.

I have applied procedures to test New Orleans Educational Talent Search Program, Inc.'s compliance with the following requirements applicable to its federal programs, which are identified in the accompanying schedule of federal awards for the year ended June 30, 1997:

- . Political activity
- . Civil rights
- . Cash Management
- . Allowable costs / cost principles
- . Administrative requirements

My procedures were limited to the applicable procedures described in the Office of Management and Budget's Compliance Supplement for Audits of Higher Learning and Other Non-Profit Institutions. My procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on New Orleans Educational Talent Search Program, Inc.'s compliance with the requirements listed in the preceding paragraph. Accordingly, I do not express such an opinion.

With respect to the items tested, the results of my 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 my attention that caused me to believe that New Orleans Educational Talent Search Program, Inc. has not complied, in all material respects, with those requirements.

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 is a matter of public record.



Carl R. Johnson
Certified Public Accountant

June 25, 1988

SUPPLEMENTARY INFORMATION

FINDINGS AND RECOMMENDATIONS

Specific Requirement

Drug-Free Program

1. State of Condition

The agency incurred unallowable expenses on three requests for reimbursement report. The reports were adjusted by the cognizant agency and the corrected amount was paid to New Orleans Educational Talent Search Program, Inc.

Criteria

General requirement of the contract requires that expenditures should be allowable under the approved budget categories.

Effect of Condition

The organization was not in compliance with the terms of the contract. Further, the organization is not maintaining adequate internal controls.

2. Project Independence

State of Condition

Cost reimbursement invoicing for the various periods were adjusted due to lack of supporting documentation in unallowable cost.

Criteria

General requirements of the contract requires that disbursement should have proper supporting documentation to support the cost claimed for reimbursement.

Effect of Condition

The cost was subsequently adjusted by the cognizant agency.

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.

Schedule of Federal Awards
For the Year Ended June 30, 1997

Federal Grants/Pass-through Grants/Program Title	Federal CFDA Number	Agency or Pass through Number	Federal Exp.
U.S. Department of Health and Human Services			
Office of Alcohol & Drug Abuse Drug Free Program	13.992	2562	\$ 41,106
Pass-through from State of Louisiana Department of Social Services Office of Family Support Project Independence	11.788	0650	59,620
Total			\$ <u>100,726</u>

MANAGEMENT LETTERS

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
4215 SOUTH CLAIBORNE AVENUE
NEW ORLEANS, LOUISIANA 70125
(504) 821-8544

REPRESENTATION LETTER

May 18, 1993

Carl R. Johnson, Certified Public Accountant
2042 Tulane Avenue
Suite B
New Orleans, Louisiana 70115

In connection with your audit of the basic financial statements as of and for the fiscal year ended June 30, 1992 for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of New Orleans Educational Talent Search in conformity with generally accepted accounting principles, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit.

1. We are responsible for the fair presentation in the financial statements of the financial position and the results of operations and cash flows of [name of recipient organization] in conformity with generally accepted accounting principles.
2. We have made available to you all—
 - a. Financial records and related data.
 - b. Minutes of meetings of the board of directors of New Orleans Educational Talent Search and its committees, or summaries of actions of recent meetings for which minutes have not yet been prepared.
3. There have been no—
 - a. Irregularities involving management or employees who have significant roles in the internal control structure.
 - b. Irregularities involving other employees that could have a material effect on the financial statements.

- a. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
4. We have no plans or intentions that may materially affect the carrying value or classifications of assets, liabilities, or fund balances.
5. The following have been properly recorded or disclosed in the financial statements:
 - a. Related-party transactions and related amounts receivable or payable, including revenues, expenditures/expenses, leases, transfers, lending arrangements, and guarantees.
 - b. Arrangements with financial institutions involving repurchase or reverse repurchase agreements, compensating balances, or other arrangements involving restrictions on cash balances and line of credit or similar arrangements.
 - c. Agreements to repurchase assets previously sold.
 - d. Security agreements under the Uniform Commercial Code.
 - e. Contractual obligations for purchases of assets.
 - f. Liens, encumbrances, or subordination of assets pledged as collateral in any way.
 - g. Subordination of any liabilities.
 - h. All lease or rental obligations under noncancelable long-term leases.
6. There are no—
 - a. Violations or possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency.
 - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by Statement of Financial Accounting Standards No. 5.
 - c. Reservations of fund balance that were not properly authorized and approved.
7. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements.

8. The organization is an exempt organization under Section 501(c)(3) of the Internal Revenue Code. Any activities of which we are aware that would jeopardize the organization's tax-exempt status, and all activities subject to tax as unrelated business income or excise or other tax, have been disclosed to you.
9. Provision, when material, has been made to:
- a. Reduce excess or obsolete inventories to their estimated net realizable value.
 - b. Reduce all investments for permanent declines in value.
 - c. Record an allowance for estimated uncollectible receivables.
10. The organization has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets, nor has any asset been pledged.
11. Provision has been made for any material loss to be sustained as a result of purchase commitments for inventory quantities in excess of normal requirements or at prices in excess of prevailing market prices.
12. With respect to compliance with laws and regulations affecting the organization, we represent the following:
- a. We are responsible for the organization's compliance with the laws and regulations applicable to it.
 - b. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.
 - c. We have complied with all aspects of laws, regulations, and contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
13. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying these estimates, and we believe the estimates are reasonable in the circumstances.
14. No events have occurred subsequent to the balance sheet date that would require adjustments to, or disclosure in, the financial statements.

15. With respect to federal awards programs—

- a. We have identified in the Schedule of Federal Awards all assistance provided by federal agencies in the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, insurance, or direct appropriations, including passback assistance.
- b. We have identified the requirements governing political activity, the Davis-Bacon Act, civil rights, cash management, federal financial reports, allowable cost/ret principles, Drug-Free Workplace Act, and administrative requirements over federal awards.
- c. We have identified the requirements governing types of services offered or not allowed, eligibility, matching, level of effort, or earmarking, reporting, claims for advances and reimbursements, and amounts claimed or used for matching that are applicable to major federal awards programs.
- d. We have complied, in all material respects, with the requirements in connection with federal awards.
- e. Information presented in federal financial reports and claims for advances and reimbursements is supported by the books and records from which the basic financial statements have been prepared.
- f. Amounts claimed for reimbursement or used for matching were determined in accordance with requirements of the Office of Management and Budget and agency requirements.
- g. We have monitored subscribers to determine that the subscribers expend financial assistance in accordance with applicable laws and regulations, and have met the requirements of OMB Circular A-133 or other applicable federal audit requirements.
- h. We have taken appropriate corrective action on a timely basis after receipt of a subscriber's auditor's report that identifies noncompliance with federal laws and regulations.
- i. We have considered the results of the subscriber's audits and made any necessary adjustments to the organization's own books and records.
- j. We have identified and disclosed to you all amounts questioned, as well as known violations of requirements that, if not complied with, could have a material effect on a major federal award programs, and any other known noncompliance with the specific and general requirements of federal awards.
- k. We are responsible for complying with the requirements in OMB Circular A-133.

1. We have disclosed whether, subsequent to the date as of which compliance is audited, any changes in the internal control structure or other factors that might significantly affect the internal control structure, including any corrective action taken with regard to reportable conditions (including material weaknesses), have occurred.

Robert P. McFarland

Robert P. McFarland
Executive Director

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
4215 SOUTH CLAIBORNE AVENUE
NEW ORLEANS, LOUISIANA 70125
(504) 821-8844

CORRECTIVE ACTION PLAN

June 28, 1998

Office of Legislative Auditor
State of Louisiana
1800 North Third Street
P.O. Box 94389
Haiton Rouge, La. 70804-9389

In an effort to respond to the auditor's findings and recommendations, we propose to implement the following procedures to prevent such recurrence.

- 1.) We have engaged an outside accounting firm, CLW and Associates, to update and maintain our accounting records starting from July 1, 1997 to present. This will enable us to keep our records promptly recorded and reconciled, and to ensure compliance with existing contracts.
- 2.) We are in the process of establishing multiple checking accounts that are specifically assigned to individual programs to prevent any conflicts or the appearance of any internal control difficulties in the management of funds.
- 3.) We intend to finally submit all required documents and reports to our auditor's to ensure that the audit is prepared and finally submitted to your office as well as any recipient agency's office prior to its due date.

Respectfully Yours,



Robert P. McFarland
Executive Director