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REPORT

GREATER NEW ORLEANS FREE-SET, INC.

APRIL 30, 1969

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Release Date DEC 8 1 1968

GREATER NEW ORLEANS FIBER-NET, INC.

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CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF  
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GOVERNMENT AUDITING STANDARDS

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MEMBER 1 COMPANY C.P.A.  
NEW ORLEANS, LOUISIANA, U.S.A.  
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## INDEPENDENT AUDITORS' REPORT

September 30, 1999

### Board of Directors

Greater New Orleans Free-Net, Inc.  
1680 Canal St., Suite 527  
New Orleans, Louisiana

We have audited the accompanying statement of financial position of Greater New Orleans Free-Net, Inc. (a Louisiana nonprofit corporation) as of April 30, 1999 and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Organization's management. 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 the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Greater New Orleans Free-Net, Inc. as of April 30, 1999, and the changes in its net assets 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 our report dated September 30, 1999 on our consideration of Greater New Orleans Free-Net, Inc.'s internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

*Duplantier, Hrapmann, Hogan & Maher, LLP*

GREATER NEW ORLEANS FREE-NET, INC.  
STATEMENT OF FINANCIAL POSITION  
APRIL 30, 1999

<b>ASSETS</b>	
<b>CURRENT ASSETS:</b>	
Cash	\$ 7,808
Accounts receivable	12,359
Accounts receivable - Louisiana Free-Net (Note 3)	14,881
Other receivables	4,255
Total current assets	<u>39,303</u>
<b>FURNITURE, EQUIPMENT AND LEASEHOLD IMPROVEMENTS: (Note 3)</b>	
Furniture, equipment and leasehold improvements	128,219
Total	<u>128,219</u>
Less: accumulated depreciation	(63,593)
Net furniture, equipment and leasehold improvements	<u>64,626</u>
<b>OTHER ASSETS:</b>	
Deposit	1,000
Total other assets	<u>1,000</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>136,899</u></b>
<b>LIABILITIES AND NET ASSETS</b>	
<b>CURRENT LIABILITIES:</b>	
Accounts payable	\$ 85,870
Payroll taxes payable	180
Total current liabilities	<u>86,050</u>
<b>NET ASSETS:</b>	
Unrestricted	<u>40,849</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ <u>136,899</u></b>

See accompanying notes.

GREATER NEW ORLEANS FREE-NET, INC.  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED APRIL 30, 1992

## UNRESTRICTED NET ASSETS:

REVENUE:	
Contractual services	\$ 337,746
Contractual services - Louisiana Free-Net (Notes 3 and 5)	175,613
Games (Notes 7 and 9)	83,154
Contributions and gifts	528
Support and training fees	2,418
Other	1,956
Total revenue	<u>599,415</u>
EXPENSES: (Note 1)	
Programs (Page 4)	379,074
Support services:	
Administrative and general (Page 4)	77,461
Total expenses	<u>456,535</u>
DECREASE IN UNRESTRICTED NET ASSETS	(75,098)
Net assets - beginning of year	<u>159,018</u>
NET ASSETS - END OF YEAR	<u>\$ 43,920</u>

GREATER NEW ORLEANS FREE-NET, INC.  
STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEAR ENDED APRIL 30, 1992

	PROGRAM	ADMINISTRATIVE AND GENERAL	TOTAL
EXPENSES (Note 1)	\$ 98,096	\$ 12,549	\$ 110,745
Salaries	6,826	1,797	8,623
Payroll taxes	134	33	167
Fringe benefits	1,642	419	2,061
Parking	1,694	424	2,118
Health insurance	124,659	31,174	155,833
Professional services	1,046	263	1,309
Payroll service	47,179	--	47,179
Data line expense	303	--	303
Software licenses	163	41	204
Memberships	11,494	4,272	15,766
Occupancy costs	8,782	2,176	10,958
Office expense	508	125	633
Post office	2,423	606	3,029
Photocopies	7,990	1,848	9,838
Telephones	16,586	2,897	19,483
Materials	395	99	494
Equipment maintenance	483	121	604
Auto mileage	883	221	1,104
Travel	648	118	766
Meals and entertainment	2,840	718	3,558
Professional development	3,907	1,477	5,384
Other	10,673	3,059	13,732
Depreciation	1,720	290	2,010
Insurance	21,780	--	21,780
Contributions	--	--	--
<b>TOTAL EXPENSES</b>	<u>\$ 379,074</u>	<u>\$ 77,402</u>	<u>\$ 456,476</u>

See accompanying notes.

GRUATER NEW ORLEANS FISH-NET, INC.  
STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED APRIL 30, 1989

CASH FLOWS FROM OPERATING ACTIVITIES:	
Decrease in unrestricted net assets	\$ (75,090)
Adjustments to reconcile decrease in unrestricted net assets to cash used by operating activities:	
Depreciation	25,844
Decrease in accounts receivable	5,683
Decrease in accounts receivable - Louisiana Fish-Net	25,835
Increase in other receivables	(4,235)
Decrease in other assets - computer equipment	21,790
Increase in accounts payable	33,425
Decrease in contractual service fees received in advance	(2,080)
Decrease in grants received in advance	(25,154)
Decrease in payroll taxes payable	(8,380)
Net cash used by operating activities	<u>(12,502)</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	(12,502)
Cash and cash equivalents at beginning of year	<u>38,410</u>
CASH AND CASH EQUIVALENTS AT END OF YEAR	<u>\$ 2,908</u>

See accompanying notes.

GREATER NEW ORLEANS FIBER-NET, INC.  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 1999

**ORGANIZATION:**

The Greater New Orleans Fibre-Net was organized on February 2, 1994. The Greater New Orleans Fibre-Net is a nonprofit electronic community network, which provides internet access and training for the nine parish Greater New Orleans area. The majority of revenues are derived from grants and contractual service fees from other nonprofits and revenues derived from corporate donations.

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements is as follows:

**Basis of Accounting and Presentation:**

The financial statements of the Organization are prepared on the accrual basis. Under the accrual method of accounting, revenue is recognized when earned and expenses are recognized when incurred.

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards No. 117, *Financial Statements of Not-for-Profit Organizations*.

The statement of activities presents expenses of the Organization's operations functionally between program services and administrative and general. Those expenses which cannot be functionally categorized are allocated among functions based upon management's estimate of usage applicable to conducting these functions.

**Receivables:**

Accounts receivable are charged off as uncollectible at the time their worthlessness is established. Use of this method does not result in a material difference from the valuation method required by generally accepted accounting principles.

**Statement of Cash Flows:**

As required by generally accepted accounting principles for financial statements include a statement of cash flows showing cash provided and used by operating, investment, and financing activities.

For purposes of implementing the cash flow statement, the Organization has defined cash equivalents as those amounts included in the statement of financial position caption "Cash."

The Organization paid no interest or income taxes for the year ended April 30, 1999.



GREATER NEW ORLEANS FRED-NET, INC.  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: (Continued)

**Promises To Give:**

Gifts are recognized when the donor makes a promise to give to the Organization that is, in substance, unconditional. Gifts that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the gifts are recognized. All other donor-restricted gifts are reported as increases in temporarily or permanently restricted net assets depending on the nature of the restrictions. When a restriction expires, temporarily restricted net assets are reclassified to unrestricted net assets.

The Organization uses the allowance method to determine unconditional promises receivable. The allowance is based on historical experience and management's analysis of specific promises made.

**Furniture, Equipment and Leasehold Improvements:**

Furniture, equipment and leasehold improvements are carried at cost and depreciated over their estimated useful lives of five to seven years using the straight-line method of depreciation. Depreciation expense for the year ended April 30, 1999 was \$25,844. The statement of financial position classification is as follows:

	Cost Basis	Accumulated Depreciation	Net Book Value
Leasehold improvements	\$ 1,858	\$ 1,115	\$ 743
Furniture	2,683	1,835	848
Equipment	124,826	60,643	64,183
	\$129,367	\$63,593	\$65,774

**Donated Services:**

No amounts have been reflected in the financial statements for donated services. Donated services were not recorded due to the fact that the value of these services was not readily determinable. The amount of donated services is not considered significant. However, volunteers have donated time to the Organization's program and general and administrative services.

2. INCOME TAXES:

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

GREATER NEW ORLEANS FREE-NET, INC.  
NOTES TO FINANCIAL STATEMENTS  
APRIL 30, 1998

3. RELATED PARTIES:

There are officers on the Board of Directors of the Greater New Orleans Free-Net who are also officers on the Board of Directors of the Louisiana Free-Net. Additionally, both the Greater New Orleans Free-Net and the Louisiana Free-Net are under certain common controls by employees who could exercise influence over their day-to-day decisions.

Louisiana Free-Net has contracted with Greater New Orleans Free-Net to provide various contractual services. The details of these contractual services are provided in the following paragraphs.

Greater New Orleans Free-Net and the Louisiana Free-Net initiated a cooperative endeavor agreement on December 1, 1997. This agreement expired June 30, 1998. The agreement requires the Greater New Orleans Free-Net to assist with the implementation of the Free-Net Technology Institute for students. The agreement requires the Greater New Orleans Free-Net to receive \$250 for each student the Greater New Orleans Free-Net assists in training. Also the Greater New Orleans Free-Net will be reimbursed for a portion of administrative salaries. Another cooperative endeavor agreement was initiated for the period July 1, 1998 through June 30, 1999 for various contractual services. During the fiscal year ended April 30, 1999, the Greater New Orleans Free-Net recorded revenues of \$150,612 under these contracts. At April 30, 1998, the Greater New Orleans Free-Net had a receivable of \$18,883 related to this agreement.

Greater New Orleans Free-Net and the Louisiana Free-Net had an additional cooperative endeavor agreement also initiated on December 1, 1997. This agreement provides that the Greater New Orleans Free-Net will assist with site licensing. The Greater New Orleans Free-Net received \$35,800 of revenues as a result of the agreement. No amounts were received by Greater New Orleans Free-Net during the fiscal year ended April 30, 1998 as a result of this agreement. The Greater New Orleans Free-Net recognized \$18,800 of revenues related to this agreement during the fiscal year ended April 30, 1998 based on management's estimation of completion of the agreement. This amount was recorded as a receivable at April 30, 1998. The Greater New Orleans Free-Net recognized the remaining \$25,800 during the fiscal year April 30, 1999 and there is no receivable as of April 30, 1999.

Greater New Orleans Free-Net had some of its expenses paid by Louisiana Free-Net during the year ended April 30, 1999. The total expenses paid by Louisiana Free-Net for Greater New Orleans Free-Net was \$5,806. The accounts receivable from Louisiana Free-Net was reduced by \$5,806 at April 30, 1999 for payment of these expenses.

**GREATER NEW ORLEANS FREE-NET, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**APRIL 30, 1999**

**4. LEASE AGREEMENT:**

The Organization leases office space from the University of New Orleans Foundation. The lease is currently on a month-to-month basis. Occupancy expense recorded during the fiscal year ended April 30, 1999 was \$21,863.

**5. ESTIMATES:**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Actual results could differ from these estimates.

**6. COMPUTER EQUIPMENT:**

The Greater New Orleans Free-Net purchased computer equipment under the requirements of the Baptist Community Ministries (BCM) (See Note 7) grant. This equipment was held by the Organization as of April 30, 1998 for distribution to various schools in the New Orleans area as a requirement of the grant. Management of the Organization determined which schools would receive the computer equipment. During the fiscal year ended April 30, 1999, the Organization donated the computer equipment to the amount of \$23,750.

**7. GRANTS:**

The Greater New Orleans Free-Net, Inc. was awarded a one-year grant with BCM in the amount of \$137,968. This grant began on December 1, 1997 and expired on November 30, 1998. The Organization received a total of \$64,811 from BCM during the fiscal year ended April 30, 1998 under this grant. The Organization received the remaining amount of \$93,154 during the current fiscal year ended as of April 30, 1999.

**8. NET ASSETS RELEASED FROM RESTRICTIONS:**

Net assets are released from temporary donor restrictions by incurring expenses satisfying the restricted purpose. Restricted revenues recorded in the same period that the restrictions are met are reported as unrestricted revenues in these financial statements.

**9. CONCENTRATION OF REVENUE:**

The Organization recognized a substantial amount of its revenue from two sources during 1999 (see notes 3 and 7). The Organization recognized \$135,632 of revenue from Louisiana Free-Net and \$83,154 from the BCM grant. This amounted to approximately 71.0% of total revenue recognized. A significant reduction in the level of this revenue, if this were to occur, may have an effect on the organization's programs and activities.

GREATER NEW ORLEANS FREE-NET, INC.  
INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON  
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN  
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS  
FOR THE YEAR ENDED APRIL 30, 1999

September 30, 1999

To the Board of Directors  
Greater New Orleans Free-Net, Inc.

We have audited the financial statements of Greater New Orleans Free-Net, Inc. as of and for the year ended September 30, 1999 and have issued our report thereon dated September 30, 1999. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Compliance

As part of obtaining reasonable assurance about whether the Greater New Orleans Free-Net, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Greater New Orleans Free-Net, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Greater New Orleans Free-Net, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the following paragraphs.

#### 95-01 - Cash at Bank

Greater New Orleans Free-Net did not timely reconcile the cash bank balance to the cash balance recorded on the general ledger. The lack of controls in this area could lead to cash overfalls, excessive bank charges and other errors that would not be detected in a timely fashion. We recommend that a monthly reconciliation be performed in a timely manner which reconciles the bank balance to the general ledger balance.

**99-02 – Cooperative Endorsement Agreement**

The Cooperative Endorsement Agreement the Organization has with Louisiana Fire-Net allows for the reimbursement of eligible expenses incurred. The Organization did not request reimbursement in a timely manner and did not indicate on the invoices what period the services were performed in order to keep an accurate account of the total billed and the remaining amounts to be billed. We recommend that insisting of the agreement be done on a monthly basis and a subledger be kept indicating the total amount to be billed to Louisiana Fire-Net per the agreement, the invoices billed, and the amounts received to ensure the amounts requested are for the proper agreement period.

**99-03 – Employee Expense Reimbursements**

During our audit we noted that Greater New Orleans Fire-Net lacked documentation on two employee expense reimbursements. In addition, the employee being reimbursed in each of these two instances was also the employee signing the Organization's expense check. The lack of controls in this area could lead to unauthorized disbursements to employees or to disbursements for non-business expenses.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all weaknesses in the internal control that might be reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, we consider items 99-01, 99-02 and 99-03 to be material weaknesses.

This report is intended for the information of the Board of Directors, management and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Dyckster, Chapman, Upton + Archer LLP*

GREATER NEW ORLEANS  
**FREE-NET**

September 30, 1999

Legislative Auditor  
Baton Rouge, Louisiana 70804

Dear Sir or Madam:

CORRECTIVE ACTION PLAN

**A. FINANCIAL STATEMENT ABOUT SPENDING**

Our auditors, Duplantier, Hruscans, Rogan & Baker, LLP, have audited the financial statements of Greater New Orleans Free-Net, Inc. as of and for the year ended April 30, 1999 and have issued their report thereon dated September 30, 1999. They conducted their audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Their audit as of April 30, 1999 resulted in an unqualified opinion.

**B. REPORT ON INTERNAL CONTROL AND COMPLIANCE MATERIAL TO THE FINANCIAL STATEMENTS:**

**COMPLIANCE:**

There were no current year compliance findings material to the financial statements.

**INTERNAL CONTROL:**

**CURRENT YEAR FINDINGS:**

Reportable conditions considered to be material weaknesses:

**90-91 Financial Statement:**

Greater New Orleans Free-Net, Inc. did not timely reconcile the cash bank balance to the cash balance recorded on the general ledger. The lack of controls in this area could lead to cash overdrafts, excessive bank charges and other errors that would not be detected in a timely fashion. We recommend that a monthly reconciliation be performed in a timely manner which reconciles the bank balance to the general ledger balance.

**Management's Response:**

The organization has adopted a procedure to reconcile the bank statement monthly.

92-02 Cooperative Indebted Agreement:

Under the Cooperative Indebted Agreement, the organization has with Louisiana Free-Net allows for the reimbursement of eligible expenses incurred. The organization did not request reimbursement in a timely manner and did not indicate on the invoices what period the services were performed in order to keep an accurate account of the total billed and the remaining amounts to be billed. We recommend that invoicing of the agreement be done on a monthly basis and a sub ledger be kept indicating the total amount to be billed to Louisiana Free-Net per the agreement, the invoices billed, and the amounts received.

Management's Response:

Management has instituted a plan to invoice the Louisiana Free-Net on a monthly basis.

93-03 Employee Expense Reimbursements:

During our audit, we noted that Greater New Orleans Free-Net lacked documentation on two employee expense reimbursements. In addition, the employee being reimbursed in each of these two instances was also the employee signing the organization's expense check. The lack of controls in this area could lead to unauthorized disbursements to employees or to disbursements for non-business expenses.

Management's Response:

The Board of Directors will prepare a policy to assure that all employee reimbursements will be authorized by at least two officers other than the employee.

Please contact Michael Hale if you have any questions regarding this Corrective Action Plan.

Yours very truly,

GREATER NEW ORLEANS FREE-NET

  
Carolyn R. Hale, President



DUPLANTIER, HRAFMANN,  
HOGAN & MAHER, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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September 30, 1999

Legislative Auditor  
Baton Rouge, Louisiana 70804

Dear Sir or Madam:

**SCHEDULES AND DATA COLLECTION FORM  
SECTION I - SUMMARY OF AUDITOR'S REPORT**

**A. FINANCIAL STATEMENT AUDIT OPINION**

We have audited the financial statements of Greater New Orleans Free-Net, Inc. as of and for the year ended April 30, 1999 and have issued our report thereon dated September 30, 1998. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our audit as of April 30, 1999 resulted in an unqualified opinion.

**B. REPORT ON COMPLIANCE AND INTERNAL CONTROL MATERIAL TO THE  
FINANCIAL STATEMENTS**

**COMPLIANCE:**

There were no current year compliance findings material to the financial statements.

**INTERNAL CONTROL:**

**CURRENT YEAR FINDINGS:**

Reportable conditions considered to be material weaknesses.

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**95-01 - Financial Statement:**

Greater New Orleans Free-Net, Inc. does not reconcile its cash bank balance to the cash balance recorded on the general ledger. The lack of controls in this area could lead to cash overstatements, excessive bank charges and other areas that would not be detected in a timely fashion. We recommend that a monthly reconciliation be performed in a timely manner which reconciles the bank balance to the general ledger balance.

**95-01 - Cooperative Endorser Agreement:**

The Cooperative Endorser Agreement the organization has with Louisiana Free-Net allows for the reimbursement of eligible expenses incurred. The organization does not request reimbursement in a timely manner and does not indicate on the invoices what period the services were performed in order to keep an accurate account of the total billed and the remaining amounts to be billed. We recommend that invoicing of the agreement be done on a monthly basis and a sub-ledger be kept indicating the total amount to be billed to Louisiana Free-Net per the agreement, the invoices billed, and the amounts received.

**95-01 - Employee Expense Reimbursements:**

During our audit we noted that Greater New Orleans Free-Net lacked documentation on two employee expense reimbursements. In addition, the employee being reimbursed in each of these two instances was also the employee signing the organization's expense check. The lack of controls in this area could lead to unauthorized disbursements to employees or to disbursements for non-business expenses.

Management has indicated they will address each of the findings noted above. Management has also indicated they will work with the independent CPA firm to develop policies and procedures which will strengthen internal controls over each of the areas mentioned above and over the organization as a whole.

Yours very truly,

DUPLANTIER, BRAPMANN, HOGAN & MAHER, LLP



Lindsey A. Colick, CPA

Partner