

NEW ORLEANS EDUCATIONAL TALENT
SEARCH PROGRAM, INC.
NEW ORLEANS, LA 70125

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**NEW ORLEANS EDUCATIONAL TALENT
SEARCH PROGRAM, INC.
NEW ORLEANS, LA 70125**

AUDIT FOR THE YEAR ENDED JUNE 30, 1998

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.

Date 11/16/98

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

CORRECTIVE ACTION PLAN

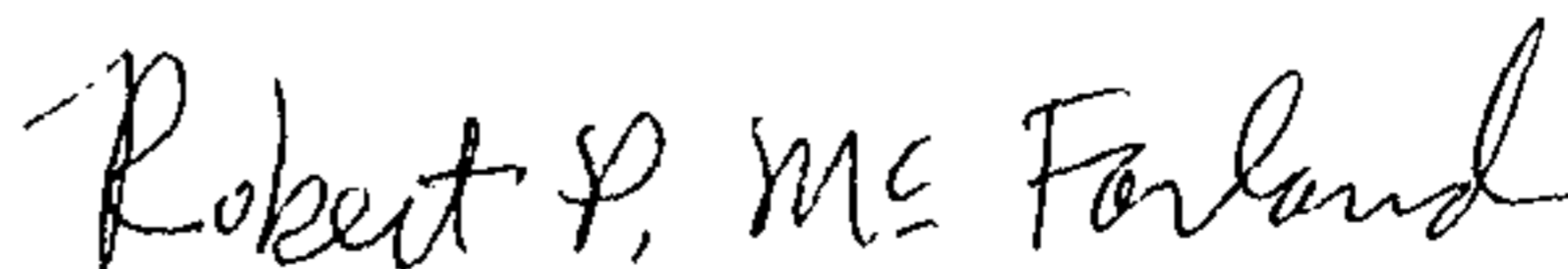
February 11, 1999

Office of Legislative Auditor
State of Louisiana
1600 North Third Street
P.O. Box 94397
Baton Rouge, La. 70804-9397

In an effort to respond to the auditor's findings and recommendations, we have implemented the following the procedures to prevent such recurrences,

- 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 have also purchased a new computer system installed with sophisticated accounting software to assist in the timely recording of financial transactions. This will also address to issues of compliance with federal and state tax reporting agencies.
- 3.) We are in the process of establishing multiple checking accounts are specifically assigned to individual programs to prevent any conflicts or the appearance of any internal control difficulties in the management of funds.
- 4.) We vowed to timely submit all required documents and reports to our auditor's to ensure that the audit is prepared and timely submitted to your office as well as any cognizant agency's office prior to its due date.

Respectfully Yours,



Robert P. McFarland
Executive Director

**NEW ORLEANS EDUCATIONAL TALENT
SEARCH PROGRAM, INC.
NEW ORLEANS, LA 70125**

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REPORT ON BASIC FINANCIAL STATEMENTS AND SCHEDULE OF 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 accompanying balance sheet of New Orleans Educational Talent Search Program, Inc. as of June 30, 1998, and the related statements of activities and cash flows for the years 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. Those standards required 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 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, 1998 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 uncertainties may cause problems with their cognizant agency.

In accordance with Government Auditing Standards, I have issued a reported dated February 8, 1999 on my consideration of New Orleans Educational Talent Search Program, Inc.'s internal control structure and report dated February 8, 1999 on compliance with laws and regulation.

My audit was made for the purpose of forming an opinion on the basic financial statement of New Orleans Educational Talent Search Program, Inc. taken as a whole. The accompanying Schedule

of Federal Awards for the years ended June 30, 1998 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 statement and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

A handwritten signature in black ink, appearing to read 'Carl R. Johnson', with a stylized flourish at the end.

Carl R. Johnson
Certified Public Accountant

February 8, 1999

**NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998**

ASSETS

Current Assets	
Grant Receivable	\$23,916
Due to Others	25,714

Total Current Asset	49,630

Total Assets	\$49,630
	=====

LIABILITIES AND NET ASSETS

Current Liabilities	
Cash Deficit	\$ 606
Payroll Taxes Payable	29,467
Note Payable	19,557

Total Current Liabilities	49,630
Net Assets	
Unrestricted	-0-

Total Net Assets	-0-

Total Liabilities and Net Assets	\$49,630
	=====

See auditor's report and notes to the financial statement

**NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 1998**

		<u>Unrestricted</u>
Revenue, Gains, and Other Support		
Grant Revenue Project Independence		\$184,768
Grant Revenue Drug Prevention		118,000
General		59,203

Total Revenue, Gains and Other Support		361,971
 Expense		
Project Independence		184,768
Drug Prevention		118,000
General		59,203

Total Expenses		361,971

Change in Net Assets		-0-
Net Assets, Beginning of Year		-0-

Net Assets, End of Year		\$ -0-
		=====

See auditor's report and notes to the financial statement

**NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 1998**

Cash Flows from Operating Activities		\$ -0-
Net Assets		
Adjustments to reconcile net assets to net cash provided by operating activities:		
Change in account receivable	\$ 960	
Change in other current liabilities	11,059	

Total Adjustments		12,019

Net Cash Provided by Operating Activities		12,019

Cash Flows from Investment Activities		
Net Cash Provided by Investing Activities		
Cash Flows from Financing Activities		
Repayment of Long Term Debt	(19,300)	
Net Cash Provided by Financing Activities		(19,300)

Net Increase(Decrease) in Cash		(7,281)
Cash at Beginning of Year		6,675

Cash at End of Year		\$(606)
		=====

See auditor's report and notes to the financial statement

**NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 1998**

	<u>Project Independence</u>	<u>Drug Prevention</u>	<u>General</u>	<u>Total Expenses</u>
Salaries	\$112,220	\$ 79,001	\$28,849	\$220,070
Fringe Benefits	23,043	11,890	2,543	37,476
	-----	-----	-----	-----
Total Employee Cost	135,263	90,891	31,392	257,546
Rent	8,400		11,405	19,805
Printing	1,278			1,278
Utilities	3,512		3,095	6,607
Telephone	3,590		9,054	12,644
Travel	135	780		915
Postage	125		250	375
Office Supplies	1,590	6,623	2,510	10,723
Custodial Supplies	912			912
Equipment Rental	3,319		1,497	4,816
Material & Supplies	7,925	7,436		15,361
Liability Insurance	428			428
Workshop	8,571			8,571
Security Service	1,587			1,587
Custodian	4,133			4,133
Accounting	4,000	6,600		10,600
Operating Services		5,670		5,670
	-----	-----	-----	-----
Total Operating Expenses	49,505	27,109	27,811	104,425
	-----	-----	-----	-----
Total Expenses	\$184,768	\$118,000	\$59,203	\$361,971
	=====	=====	=====	=====

See auditor's report and notes to the financial statement

**NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1998**

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1. Organization

New Orleans Educational Talent Search Program, Inc. 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.

2. Presentation of Financial Statements

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

During audit periods some of the workers for the corporation were employed by a temporary employment service. The payroll were filed by the personnel company and the workers were carried on their federal and state tax returns along with their workman compensation and general liability.

3. Basis of Reporting

The Agency has adopted SFAS No. 117 which establishes standards for external financial reporting by not-for-profit organizations and requires that resources be classified for accounting and reporting purposes into three net assets categories (i.e. unrestricted net assets, temporarily restricted net assets and permanently restricted net assets) accordingly to external donor imposed restrictions.

A description of the three (3) net assets categories is as follows:

Unrestricted Net Assets include the following:

Unrestricted Net assets include funds not subject to donor-imposed stipulations. The revenues received and expenses incurred in conducting the mission of the Agency are included in this category. The Agency has determined that any donor imposed restrictions for current or developing programs and activities are generally met within the operating cycle of the Agency, and therefore, the Agency's policy is to record these assets as unrestricted.

Temporarily restricted net assets include realized gains and losses, investment income and gifts, appropriations and contributions for which donor imposed restrictions have not been met.

Permanently restricted net assets are contributions which are required by the donor imposed restriction to be invested in perpetuity and only the income be made available for program operations in accordance with the donor restrictions. Such income is reflected in temporarily restricted assets until utilized for donor imposed restrictions.

At June 30, 1998, the Agency did not have any permanently restricted or temporarily restricted net assets.

4. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Agency considers all highly liquid investments purchased with a maturity of three months or less to be cash equivalents.

5. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost, if purchased, or at fair market value at the date of gift, if donated.

6. Revenue Recognition

For financial reporting purposed, the Agency recognize revenues as earned.

7. Functional Allocation of Expenses

The costs of providing for various programs and other activities have been summarized on a functional basis in the statement of activities. Accordingly, certain cost have been allocated among the programs and supporting services benefitted.

NOTE B - EXEMPT STATUS

The corporation is tax exempt under provision of Section 501(c)(3) of the Internal Revenue Code. The corporation meets all of the applicable provision of the law.

NOTE C - LAND, BUILDING AND EQUIPMENT, NET

Fixed assets are stated at cost. Donated 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, 1998 was valued at \$-0-. Fixed assets consisted of the following categories:

Description	Life	Date Acq.	Cost	Accum Basis Depr	6-30-98
IBM System 38 and Peripheral	7 yrs	1984	\$240,000	\$240,000	0
Furniture & Office Equipment	5 yrs	Vari	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, 1998.

Note payable to Liberty Bank, interest at bank's prime rate (8.25%) due upon demand)	\$19,557
	<u>=====</u>

NOTE E - COMPENSATION TO DIRECTORS

The member 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 received 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 with adversely affect the amount of funds it will received in the next fiscal year.

NOTE G - CASH

The agency maintains only one checking account for the entire organization. Account receivables are factors and the bank deposits do not reflect the entire amount of funds received from the cognizant agency. Cost of factoring is absorb by the general funds which is not reconcile. 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.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF 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, 1998, and have issued my report thereon dated February 8, 1999. I conducted my 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.

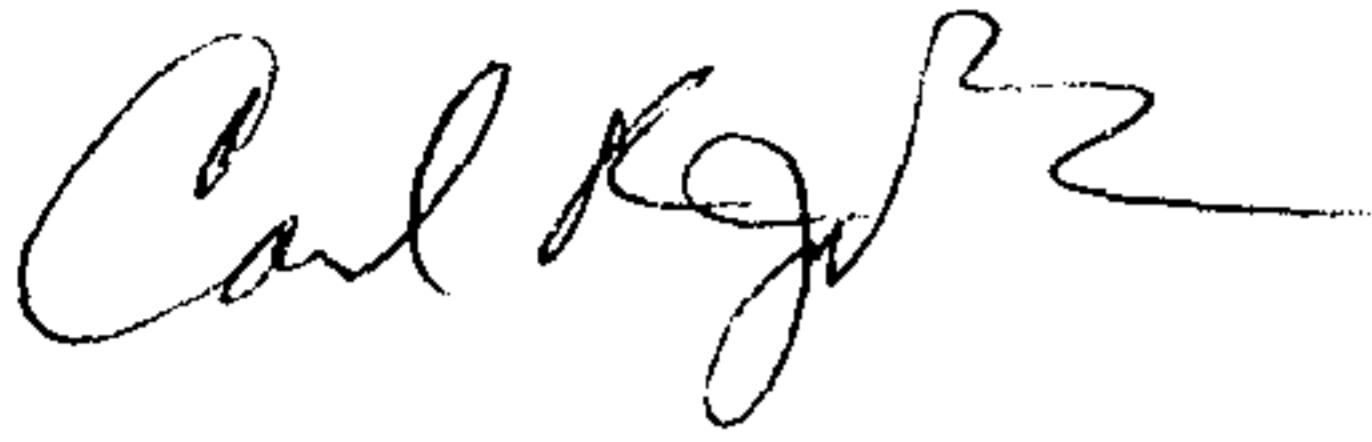
Compliance

As part of obtaining reasonable assurance about whether the New Orleans Educational Talent Search Program, Inc.'s financial statements are free of material misstatement, I 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 my audit and accordingly, I do not express such an opinion. The results of my 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 my audit, I considered New Orleans Educational Talent Search Program Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide assurance on the internal control over financial reporting. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. 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. I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses.

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

A handwritten signature in black ink, appearing to read "Carl R. Johnson". The signature is fluid and cursive, with a long horizontal stroke at the end.

Carl R. Johnson
Certified Public Accountant

February 8, 1999

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

Compliance

I have audited the compliance of New Orleans Educational Talent Search Program, Inc. with the types of compliance requirements described in the U.S. OMB Circular A-133 Compliance Supplement that are applicable to its major program for the year ended June 30, 1998. New Orleans Educational Talent Search Program, Inc.'s major federal program is identified in the summary of the independent auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program, is the responsibility of the New Orleans Educational Talent Search Program, Inc.'s management. My responsibility is to express an opinion on New Orleans Educational Talent Search Program, Inc.'s compliance based on my audit.

I conducted my audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments and Non profit Organizations". Those standards and OMB Circular A-133 require that I plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about New Orleans Educational Talent Search Program, Inc.'s compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination on New Orleans Educational Talent Search Program, Inc.'s compliance with those requirements.

In my opinion, New Orleans Educational Talent Search Program, Inc. complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 1998. However, the results of my auditing procedure disclosed an instance of noncompliance with those requirements that is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs (Schedule II) as item 98-01-98-06.

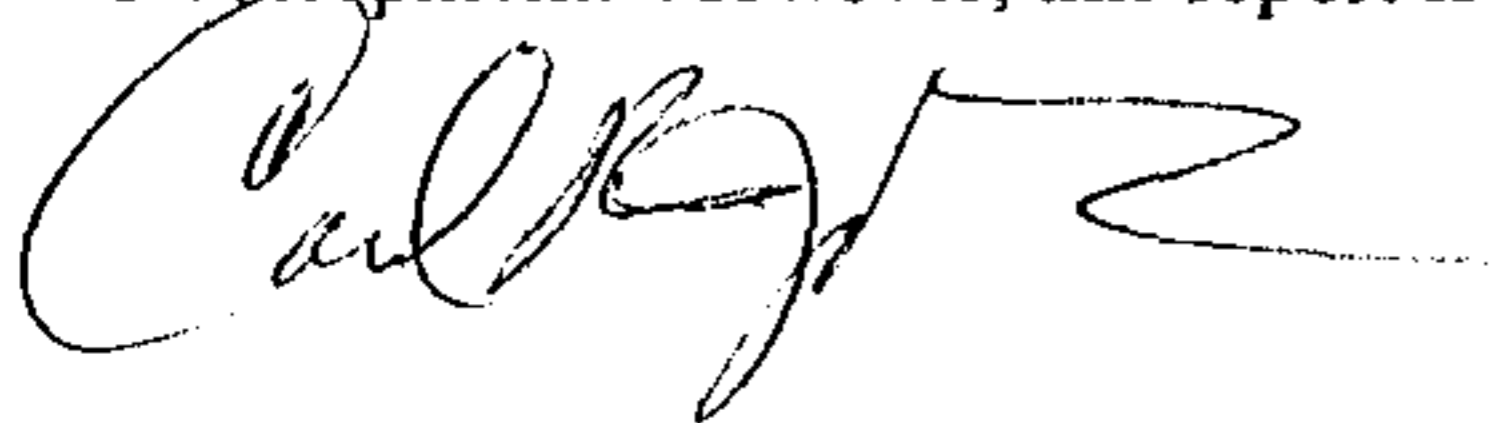
Internal Control over Compliance

The management of New Orleans Educational Talent Search Program, Inc. is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing my audit for the year ended June 30, 1998, I considered the New Orleans Educational Talent Search Program, Inc. internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

I noted a certain matter involving the internal control over compliance and its operation that I consider to be a reportable condition. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in my judgement, could adversely affect New Orleans Educational Talent Search Program, Inc.'s ability to administer a major federal program in accordance with applicable requirements of laws, regulations contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 98-01 - 98-06.

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 noncompliance with applicable requirements of laws, regulations, contracts and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. I noted no matters involving the internal control over compliance and its operation that I consider to be material weaknesses.

This report is intended for the information of management, the board of directors, the Legislative Auditor of the State of Louisiana, the City of New Orleans, and U.S. Department of Housing and Urban Development. However, this report is a matter of public record, and its distribution is not limited.



Carl R. Johnson
Certified Public Accountant

February 8, 1999

**NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC.
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 1998**

<u>Federal Grantor/ Pass-Thru Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Agency or Pass Thru Number</u>	<u>Federal Exp</u>
U.S. Department of Health and Human Services			
Office of Alcohol & Drug Abuse Drug Free Program	13.992	57612	\$118,000
Pass-through from State of Louisiana Department of Social Services Office of Family Support Project Independence	13.780	06597	184,768
Total			----- \$302,768 =====

SCHEDULE I

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC. SCHEDULE OF FINDINGS AND QUESTIONED COSTS SUMMARY OF THE INDEPENDENT AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 1998

1. Type of report issued on the financial statements qualified
2. Did the audit disclose any reportable conditions in internal control no.
3. Were any of the reportable conditions material weaknesses no.
4. Did the audit disclose any noncompliance which is material to the financial statements no.
5. Did the audit disclose any reportable conditions in internal control over major programs yes.
6. Were any of reportable conditions in internal control over major programs material weaknesses yes.
7. Type of report issued on compliance for major programs unqualified.
8. Did the audit disclose any audit findings, which the independent auditor is required to report under OMB Circular A-133 yes.
9. The following is an identification of major programs.
Not Applicable
10. The dollar threshold used to distinguish between Type A and B Programs as described in OMB Circular A-133, Section 520(b) is as follows:
Not Applicable
11. Did the auditee qualify as a low risk auditee under OMB Circular A-133, Section 530.
Not Applicable

SCHEDULE II

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC. SCHEDULE OF FINDINGS AND QUESTIONED COST FOR THE YEAR ENDED JUNE 30, 1998

98-01 Checking Account

Condition

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

Recommendation

The agency should set up a separate checking account for each program.

98-02 Sequential Order of Checks

Condition

The agency continues to write checks out of sequence. These poor control over checks inventory could cause lost or misplace check inventory.

Recommendation

I recommend the number sequence of check be enforced.

98-03 Signature on Check

Condition

The agency only has one authorized person to sign checks.

Recommendation

Proper internal control requires that dual signature be required for all disbursements.

98-04 Payroll Taxes

Condition

During my audit, I noted that the 941's were file timely, but the payments were not.

Recommendation

Federal Laws requires all taxes be filed and paid timely.

98-05

Condition

The audit of the Agency for the year ended June 30, 1998 was not completed within the six months in accordance with Louisiana Revised Status 24:513 and section 329.01 of the Louisiana Government Audit Guide. This condition was due in part, to untimely preparation of unavailability of required accounting records and key employee illness.

Continued

Recommendation

In order for the agency to maintain their funding it is imperative the audit report is file within the time frame allocated.

98-06 Independent Contractor

Condition

The agency employs its counselors as independent contractors.

Recommendation

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

SCHEDULE III

NEW ORLEANS EDUCATIONAL TALENT SEARCH PROGRAM, INC. STATUS OF PRIOR YEAR'S FINDING AND REPORTABLE CONDITIONS

<u>Reportable Condition</u>	<u>Resolve</u>	<u>Unresolved</u>
1. 97-01 Budget Condition The agency did not maintain budget for active program		
<u>Current Status</u> I noted no such condition in current year	X	
2. 97-02 Cash Condition The agency maintain one checking account for all programs.		
<u>Current Status</u> See Finding 98-01 repeat finding		X
3. 97-03 Reporting Condition Cost report to the cognizant agencies did not agree to general ledger.		
<u>Current Status</u> I noted no such condition in current	X	
MATERIAL WEAKNESS		
1. 97-04 Sequential Order Check Numbers Condition Check numbers were out of sequence		
<u>Current Status</u> See Finding 98-02 - repeat finding		X

2. **97-05 Signature on Checks**
Condition
 Agency uses only one signature on checks

Continued

Current Status
 See Finding 98-03 - repeat finding

X

Reportable Condition

Resolve

Unresolved

COMPLIANCE

1. **97-06 Payroll Taxes**
Condition
 941's for 1997 were paid late

Current Status
 See Finding 98-04 - repeat finding

X

2. **97-07 Audit report submitted late**
Condition
 The audit report for the year ended June 30, 1997 was not submitted within six months of the close of the entity's fiscal year.

Current Status
 See Finding 98-05 - repeat finding.

X

3. **97-08 Independent Contractor**
Condition
 The Agency employs all counselors as independent contracts

Current Status
 See Finding 98-06 - repeat finding

X

SPECIFIC REQUIREMENTS

1. 97-09 Drug Free Program

Condition

The agency incurred unallowable expense on these request for reimbursements

Current Status

I noted no such condition in current year

X

2. 97-10 Project Independence

Condition

Lack of supporting documentation cause adjustments to reimbursements

Current Status

I noted no such condition in current year

X

MANAGEMENT LETTERS

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

REPRESENTATION LETTER

February 11, 1999

Carl R. Johnson, Certified Public Accountant
2642 Tulane Avenue
Suite B
New Orleans, Louisiana 70119

In connection with your audit of the basic financial statements as of and for the fiscal year ended June 30, 1998 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 [name of recipient organization] 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 [name of recipient organization] 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.

- c. 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, loans, transfers, leasing 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. 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.
9. 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.
10. 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.
11. 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.
12. We have identified all accounting estimates that could be material to the financial statements, including the key factors and significant assumptions underlying those estimates, and we believe the estimates are reasonable in the circumstances.
13. No events have occurred subsequent to the balance sheet date that would require adjustments to, or disclosure in, the financial statements.
14. With respect to federal awards programs—
- a. We have identified in the Schedule [of Expenditures] 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 noncash assistance.
 - b. We have identified the requirements governing political activity, the Davis–Bacon Act, civil rights, cash management, federal financial reports, allowable costs/cost principles, Drug-Free Workplace Act, and administrative requirements over federal awards.
 - c. We have identified the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; [include any

special provisions]; 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 subrecipients to determine that the subrecipients 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 subrecipient's auditor's report that identifies noncompliance with federal laws and regulations.
- i. We have considered the results of the subrecipient'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.
- l. 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