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NATIONAL SENIOR GAMES ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 1998

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the auditor, 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 1-13-99



NATIONAL SENIOR GAMES ASSOCIATION

FINANCIAL STATEMENTS

JUNE 30, 1998



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Postlethwaite & Netterville

A Professional Accounting Corporation
CERTIFIED PUBLIC ACCOUNTANTS

8550 UNITED PLAZA BLVD., SUITE 1001 • BATON ROUGE, LOUISIANA 70809 • TELEPHONE (504) 922-4600 • FAX (504) 922-4611

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
National Senior Games Association
Baton Rouge, Louisiana

We have audited the accompanying statement of financial position of the National Senior Games Association (the Association) as of June 30, 1998 and the related statements of activities, functional expenses and cash flows for the eight month period then ended. These financial statements are the responsibility of the Association'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 the National Senior Games Association as of June 30, 1998, and the changes in its net assets, its functional expenses, and its cash flows for the eight month period then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 13, 1998 on our consideration of the National Senior Games Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying Schedule of Expenditures by Funding Sources on page 9 is presented for purposes of additional analysis and is not a required part of the financial statements of the National Senior Games Association. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 13, 1998

NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENT OF FINANCIAL POSITION
JUNE 30, 1998

ASSETS

Current assets:	
Cash and cash equivalents	\$ 178,207
Grants receivable	160,124
Unconditional promises to give	6,998
Total current assets	<u>345,329</u>
Property and equipment - at cost, net of accumulated depreciation of \$ 6,279	<u>43,363</u>
Restricted assets:	
Cash	<u>20,777</u>
TOTAL ASSETS	<u><u>\$ 409,469</u></u>

LIABILITIES AND NET ASSETS

Current liabilities:	
Accounts payable	\$ 60,361
Payroll taxes payable	18,681
Settlements payable	75,000
Total current liabilities	<u>154,042</u>
Net assets:	
Unrestricted	234,650
Temporarily restricted	<u>20,777</u>
Total net assets	<u>255,427</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 409,469</u></u>

The accompanying notes are an integral part of this statement.



NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENT OF ACTIVITIES
FOR THE EIGHT MONTH PERIOD ENDED JUNE 30, 1998

	Unrestricted	Temporarily Restricted	Total
<u>REVENUES</u>			
Grants in aid - State of Louisiana	\$ 470,518	\$ 19,776	\$ 490,294
Grants in aid - City of Baton Rouge	250,000	-	250,000
Membership dues	26,060	-	26,060
Contributions	34,992	-	34,992
Other	7,114	1	7,115
Total revenues	788,684	19,777	808,461
 <u>EXPENSES AND LOSSES</u>			
Program services	65,100	-	65,100
Management and general	468,568	-	468,568
Fund raising	9,329	-	9,329
Total expenses and losses	542,997	-	542,997
Change in net assets	245,687	19,777	265,464
<u>NET ASSETS AT BEGINNING OF PERIOD</u>	(11,037)	1,000	(10,037)
 <u>NET ASSETS AT END OF PERIOD</u>	\$ 234,650	\$ 20,777	\$ 255,427

The accompanying notes are an integral part of this statement.



NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENT OF FUNCTIONAL EXPENSES
FOR THE EIGHT MONTH PERIOD ENDED JUNE 30, 1998

	<u>Program Expenses</u>	<u>Management and General</u>	<u>Fund Raising</u>	<u>Total</u>
Salaries and wages	\$ 39,518	\$ 192,669	\$ 8,489	\$ 240,676
Fringe benefits and taxes	5,902	28,865	840	35,607
Bank charges	-	350	-	350
Depreciation	-	6,279	-	6,279
Dues and subscriptions	-	1,328	-	1,328
Postage	6,148	24,674	-	30,822
Printing	12,636	20,903	-	33,539
Accounting and legal	-	29,834	-	29,834
Telephone	-	7,765	-	7,765
Interest	-	943	-	943
Supplies	-	12,347	-	12,347
Meals and entertainment	-	2,324	-	2,324
Staff travel	-	58,422	-	58,422
Board travel	-	32,174	-	32,174
Meetings and conferences	-	4,358	-	4,358
Moving	-	7,439	-	7,439
Rent	-	31,573	-	31,573
Maintenance	-	1,309	-	1,309
Other	896	5,012	-	5,908
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total functional expenses	<u>\$ 65,100</u>	<u>\$ 468,568</u>	<u>\$ 9,329</u>	<u>\$ 542,997</u>

The accompanying notes are an integral part of this statement.



NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

STATEMENT OF CASH FLOWS
FOR THE EIGHT MONTH PERIOD ENDED JUNE 30, 1998

Cash Flows From Operating Activities:

Change in net assets	\$ 265,464
Adjustment to reconcile change in net assets to net cash provided by operating activities	
Depreciation	6,279
Changes in operating assets and liabilities:	
Grants receivable	(160,124)
Unconditional promises to give	(6,998)
Accounts payable	55,951
Payroll liability	(16,011)
Net cash provided by operating activities	<u>144,561</u>

Cash Flows From Investing Activities:

Purchases of furniture and equipment	<u>(49,243)</u>
Net cash used in investing activities	<u>(49,243)</u>

Cash Flows From Financing Activities:

Proceeds of bank loan	105,000
Repayment of bank loan	<u>(105,000)</u>
Net cash used in financing activities	<u>-</u>

Increase in cash and cash equivalents	95,318
Cash and cash equivalents beginning of period	<u>103,666</u>
Cash and cash equivalents end of period	<u>\$ 198,984</u>

Supplemental cash flow information:

Cash paid for interest	<u>\$ 943</u>
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The accompanying notes are an integral part of this statement.



NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT POLICIES**

a) **Nature of Organization**

The National Senior Games Association (the Association) promotes healthy lifestyles for seniors through athletic competition programs, wellness and education programs, and research initiatives. As part of its athletic competition programs, the Association sanctions and coordinates the efforts of senior games organizations across the United States. The Association presently serves 50 member organizations and well over 250,000 constituents. The Association is a member of the United States Olympic Committee and serves as its official arm to the senior population.

Sources of revenues generally consist of government grants, corporate sponsorships, and membership dues.

b) **Financial Statement Presentation**

The Association has adopted Statement of Financial Accounting Standards (SFAS) No. 117 "*Financial Statements of Not-for-Profit Organizations*." Under SFAS No. 117, the organization 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, the organization is required to present a statement of cash flows. The Association does not have any permanently restricted net assets.

c) **Contributions**

The Association has adopted SFAS No. 116 "*Accounting for Contributions Received and Contributions Made*," whereby contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions. Restricted net assets are reclassified to unrestricted net assets upon satisfaction of the time or purpose restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the Association reports the support as unrestricted.

d) **Method of Accounting**

The financial statements of the Association have been prepared utilizing the accrual basis of accounting. Contributions (including memberships) are recorded as revenue when received. Grants are recorded at the time when the monies become collectible from the reporting agency, according to the terms of the grant.

e) **Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. **SUMMARY OF SIGNIFICANT POLICIES** (continued)

f) **Cash and Cash Equivalents**

For the purposes of the statement of financial position and the statement of cash flows, the Association considers all short-term investments with original maturities of three months or less to be cash equivalents.

g) **Income Tax Status**

The Association is exempt from paying income tax pursuant to Internal Revenue Code Section 501(c)(3).

h) **Property and Equipment**

The Association follows the practice of capitalizing, at cost, all expenditures for property and equipment in excess of \$250. Depreciation and amortization is computed on a straight-line basis over the estimated useful lives of the assets generally five to seven years.

i) **Reporting Period**

In November 1997, the NSGA relocated its operating headquarters to Baton Rouge, Louisiana from St. Louis, Missouri. The statement of activities reflects only those transactions occurring after the relocation.

2. **DONATED FACILITIES**

The Association's operating headquarters occupies office space under a lease agreement that calls for a lease payment of \$1. By terms of the lease agreement, the Association will be allowed to occupy the premises through November 1, 1999. The lease may be cancelled by either party upon 60 days notice.

The estimated fair market value of the lease of \$27,992 is considered to be a donation and is included in the financial statements as both a contribution and an expense. Additionally, 60 days of rent of \$6,998 is recorded as a contribution and an unconditional promise to give at June 30, 1998.

3. **CONCENTRATION OF CREDIT RISK**

The Association maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation up to \$100,000. As of June 30, 1998, the Association's uninsured cash balances totaled \$36,155.

NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. **CURRENT VULNERABILITY DUE TO CONCENTRATIONS**

For the eight month period ended June 30, 1998, the Association received approximately 93% of its support from grants provided by local governments. The State grant will be provided for the 1998-99 fiscal year in the amount of \$750,000, but will cease thereafter.

5. **COMMITMENTS AND CONTINGENCIES**

The Association remains obligated under a prior lease agreement for office space. This lease calls for lease payments of \$1,780 per month through May, 2000. Future annual lease payments are as follows:

Year Ended June 30

1999	\$	21,360
2000		19,586

Under this agreement, lease payments have not been made since January 1998. Management is currently negotiating a settlement of the obligation, however, an estimate of any settlement amount cannot be made at this point. Therefore, no liability is recorded in the accompanying financial statements.

The Association is involved in a dispute with the host of the most recent Senior Games whereby the host claims amounts owed them from registration fees and reimbursement of incurred costs. Management intends to settle the dispute and believes that \$75,000 will be the ultimate cost to the Association. This amount is recorded as a liability at June 30, 1998.

6. **DONOR CONDITIONS**

As a condition to receiving the government grants from the State of Louisiana and the City of Baton Rouge, the 2001 Senior Games events must be held in Baton Rouge, Louisiana.

7. **TEMPORARILY RESTRICTED NET ASSETS**

Donor restrictions on net assets as of June 30, 1998 consist of:

Foundation Funding	\$	1,001
Retirement Plan Funding		19,776
		<u>\$ 20,777</u>



SUPPLEMENTARY INFORMATION



NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

SCHEDULE OF EXPENDITURES BY FUNDING SOURCES
FOR THE EIGHT MONTH PERIOD ENDED JUNE 30, 1998

	<u>State Grant</u>	<u>City Grant</u>	<u>Private Sources</u>	<u>Total</u>
Salaries and wages	\$ 240,676	\$ -	\$ -	\$ 240,676
Fringe benefits and taxes	35,607	-	-	35,607
Bank charges	-	134	216	350
Dues and subscriptions	-	-	1,328	1,328
Postage	26,793	-	4,029	30,822
Printing	33,539	-	-	33,539
Accounting and legal	25,642	-	4,192	29,834
Telephone	7,765	-	-	7,765
Interest	-	943	-	943
Supplies	12,347	-	-	12,347
Meals and entertainment	-	-	2,324	2,324
Staff travel	6,144	9,718	42,560	58,422
Board travel	25,696	6,478	-	32,174
Meetings and conferences	3,351	-	1,007	4,358
Moving	1,104	-	6,335	7,439
Rent expenses	-	-	31,573	31,573
Maintenance	-	-	1,309	1,309
Purchase of furniture & equipment	49,243	-	-	49,243
Other expenses	2,611	-	3,297	5,908
Total Expenditures	470,518	17,273	98,170	585,961
Reconciliation of expenditures to				
expenses:				
Purchases of furniture and equipment	(49,243)	-	-	(49,243)
Depreciation	6,279	-	-	6,279
TOTAL EXPENSES	\$ 427,554	\$ 17,273	\$ 98,170	\$ 542,997





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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
National Senior Games Association
Baton Rouge, Louisiana

We have audited the financial statements of the National Senior Games Association as of and for the eight month period ended June 30, 1998, and have issued our report thereon dated October 13, 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.

Compliance

As part of obtaining reasonable assurance about whether the National Senior Games Association'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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*. The accompanying Schedule of Findings to be Reported Under Government Auditing Standards describes the noncompliance.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the National Senior Games Association's internal controls 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 controls over financial reporting. However, we noted a certain matter involving the internal controls over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal controls over financial reporting that, in our judgment, could adversely affect the National Senior Games Association's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying Schedule of Findings to be Reported Under Government Auditing Standards.

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 matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described in the attached Schedule of Findings to be Reported Under Government Auditing Standards is not material weaknesses.

This report is intended for the information of the board of directors, management and governmental funding entities.

Postlethwaite & Netterville

Baton Rouge, Louisiana
October 13, 1998



NATIONAL SENIOR GAMES ASSOCIATION
BATON ROUGE, LOUISIANA

SCHEDULE OF FINDINGS TO BE REPORTED
UNDER GOVERNMENT AUDITING STANDARDS

1. Reportable Condition in Internal Control

- Criteria: The organization shall establish and maintain a system of internal controls that facilitates sound financial reporting and safeguarding of assets.
- Condition: There is a lack of segregation of duties with regards to cash disbursements.
- Cause: This condition is inherent in the fact that the Association operates in a small office environment.
- Effect: This condition is common in small office environments however, under such a condition, there is a greater risk of misappropriation.

2. Non-Compliance with the Cooperative Endeavor Agreement with the State of Louisiana

- Criteria: Payments made to the NSGA by the State shall be made monthly as a reimbursement for expenses incurred.
- Condition: The Association requested \$19,776 to fund contributions to a retirement plan for the benefit of its employees. While this money has been set aside by the Association for funding of such a plan, the plan has yet to be established. No contribution liability has been incurred as of June 30, 1998 and this money is included as an asset of the Association.
- Cause: While the Association's intent was to provide retirement benefits for its employees, misunderstanding arose regarding what constitutes a "retirement plan".
- Effect: The Association is in violation of the Cooperative Endeavor Agreement because no costs were incurred relating to the request for \$19,776. However, the State has allowed the Association to retain these funds in good faith that a retirement plan will be established and funded with these funds by December 31, 1998.



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October 13, 1998

Finance Committee
National Senior Games Association
Baton Rouge, Louisiana

In planning and performing our audit of the financial statements of the National Senior Games Association for the eight month period ended June 30, 1998, we considered the Association's internal control over financial reporting to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal controls.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding those matters. We previously reported on the Association's internal controls in our report dated October 13, 1998, which included a schedule of findings and questioned costs, which reported a reportable condition. This letter does not affect our report dated October 13, 1998, on the financial statements of the National Senior Games Association.

1) Reduction of the number of checking accounts

The Association maintains four separate checking accounts.

- Nations Bank (old St. Louis Account)
- Private Funds Account
- State Funds Account
- City Funds Account

For each checking account, accounting and administrative duties must be performed. To reduce the administrative burden that is required for proper maintenance of all accounts, as well as the risk of theft and misappropriation, we recommend closure of all accounts except the private account. City Grant Funds should be placed into a savings account and can be transferred to the private account when charges to those funds are incurred.

2) Settlements of amounts owed to City Account and private accounts

Due to the nature of the method of funding (reimbursement basis) of the Cooperative Endeavor Agreement with the State, City Grant Funds and private source funds were used to pay expenditures which were ultimately charged to the State CEA.

We recommend that the Association settle amounts owed between the various accounts which hold the cash from the various funding sources.

3) Year 2000 compliance

With the coming of the new millenium, there exists an inherent inability by many computer hardwares and softwares to process information with a date beyond December 31, 1999.

We recommend that you take steps to ensure that your computer hardwares and softwares are year 2000 compliant.

4) Disbursement lacking proper approval

The NSGA's policy is for all disbursements \geq \$4,000 to have dual signatures (by both the CEO and the Vice President of Operations). We noticed one instance of non-compliance with this policy, whereby a check for \$15,000 was signed by only Paul Jacobs (Vice President of Operations). This check was for postage.

We recommend adherence to your established policies and procedures.

5) Corporate Credit Card Charges

In several cases we noted where personal charges were made on the Association's credit cards issued to officers of the Association. Although these charges appear to have been reimbursed by the appropriate personnel, we discourage such charges.

These corporate credit cards should only be used for official Association business and sufficient documentation must be turned in to the Accounting Department with explanation of business purpose. We noted that your revised policies and procedures include a prohibition against the use of company credit cards for personal expenses. We recommend compliance with this policy be enforced.



6) Travel Policies and Procedures

The revised policy and procedures manual that was effective July 11, 1998 sets forth procedures regarding travel and the authorization thereof. It is management's and the Board of Directors' responsibility for implementing controls to ensure compliance with these procedures by all employees and directors. We recommend that you develop such controls that you deem necessary to satisfy yourselves of compliance and to document those controls.

7) Pre-approval of expenditures

The Association lacks a pre-approval system for expenditures.

To ensure the availability of funds as well as to obtain proper authorization before expenditures are incurred, all expenditures should be pre-approved through the use of purchase orders and travel requests.

8) Utilization of General Ledger

Currently, the Association bills the State for reimbursements based upon actual disbursements that are accumulated on a "side ledger". The general ledger is also kept, however, it is not the primary source of internal reporting and billing.

We recommend that you use the general ledger as your primary internal reporting source, and the basis for identification of expenses to be charged to grants. This should result in more timely internal reporting and more efficient state billing.

9) Diminishing private funds

As of June 30, 1998, the private fund has a deficit of \$3,125. We encourage you to closely monitor your funds available from all sources and to control expenses so that the most available funds are utilized.

10) Accounting Personnel

The organization should consider employment of an accountant as a controller. The duties of financial reporting, approval of expenditures, requesting of funds from the State and other accounting functions are of enough volume and complexity to warrant such a position.

Sincerely,

Postlethwaite ; Netterville





National
Senior Games
Association™

Promoting healthy lifestyles for seniors through education, fitness and sports

CORRECTIVE ACTION PLAN

For

National Senior Games Association Independent Audit

Conducted By

Postlethwaite & Netterville APAC

File No.: 14604.1 October 26, 1998

SCHEDULE OF FINDINGS

FINDING # 1. Reportable Condition in Internal Control.

Due to the small, office environment, there is a lack of segregation of duties with regards to cash disbursements.

CORRECTIVE ACTION:

The Association plans to separate the duties of signing checks and recording transactions upon employment of the accountant mentioned in the corrective action for finding # 10 under Management Letter response.

FINDING #2. Non-compliance with the Cooperative Endeavor agreement with the state of Louisiana.

Condition: The association requested \$19,776 to fund contributions to a retirement plan for the benefit of its employees. While this money has been set aside by the Association for funding of such a plan, the plan has yet to be established. No contribution liability has been incurred as of June 30, 1998 and this money is included as an asset of the Association.

CORRECTIVE ACTION:

The Association has been in contact with the State of Louisiana's Division of Administration (Grantor Agency) about this matter. The grantor has allowed the Association to retain these funds in good faith that a retirement plan will be established and funded with these monies by December 31, 1998. Steps have been taken by the Association to establish a plan and we fully intend to have funded a type of plan with the designated funds by that date.

12/22/983:47 PMwhb

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MANAGEMENT LETTER

FINDING #1. Reduction of the number of checking accounts.

The Association maintains four separate checking accounts.

- Nations Bank (old St. Louis Account)
- Private Funds Account
- State Funds Account
- City Funds Account

For each checking account, accounting and administrative duties must be performed. To reduce the administrative burden that is required for proper maintenance of all accounts, as well as the risk of theft and misappropriation, we recommend closure of all accounts except the private account. City Grant Funds should be placed into a savings account and can be transferred to the private account when charges to those funds are incurred.

CORRECTIVE ACTION:

All funds from the State and City Accounts are being consolidated into one Private (NSGA) account as per suggested. A meeting was held with Martha D. Epperson, Vice President, Private Banking Department of Union Planters Bank on Monday, November 30th, to set up the account as soon as paperwork can be completed.

The Nations Bank account in St. Louis is a source of dedicated funds to pay debts incurred by the previous Administration. The payment of those debts from that account is under the direction of the NSGA Board of Directors.

The new checking account will be set up as a "Business Analysis Checking Account" which earns credit based on a daily balance to help offset service charges. It is therefore, prudent to keep the city Funds in the same account in order to maintain a higher balance, thus more credit.

FINDING # 2: Settlement of accounts owed to city Account and Private account.

Due to the nature of the method of funding (reimbursement basis) of the Cooperative Endeavor agreement with the State, City Grant funds and private source funds were used to pay expenditures which were ultimately charged to the State CEA.

We recommend that the Association settle amounts owed between the various accounts which hold the cash from the various funding sources.

CORRECTIVE ACTION:

By creating one checking account this recommendation becomes germane. What will be necessary is the proper coding of income and expenditures in order to satisfy not only proper accounting procedures but also the terms of the City Grant and the State CEA.

FINDING # 3 Year 2000 compliance

With the coming of the new millenium, there exists and inherent inability by many computers hardwares and softwares to process information with a date beyond December 31, 1999.

We recommend that you take steps to ensure that your computer hardwares and softwares are year 2000 compliant.

CORRECTIVE ACTION:

We have spoken with our Senior Manager for Technology, Vince Kennedy, about this problem and he is in the process of speaking with the company that provided all of our hardware and software, Computer Destination, Inc. of Baton Rouge. Based on their suggestions, we will do whatever is necessary to avoid any hardware or software problem that might be caused by the advent of year 2000.

FINDING # 4: Disbursement lacking proper approval

The NSGA's policy is for all disbursements > \$4,000 to have dual signatures (by both the CEO and the Vice President of Operations). We noticed one instance of non-compliance with this policy, whereby only Paul Jacobs (Vice President of Operations) signed a check for \$15,000. This check was for postage.

We recommend adherence to your established policies and procedures.

CORRECTIVE ACTION:

The Vice President of National Games, the Vice President of Marketing & Public Relations and the Vice President of Business have all been approved for signatures along with the CEO. This should ensure that there are always two authorized persons at the office should the need arise for the issuance of a check for more than \$4,000.

FINDING # 5 Corporate Credit Card charges

In many cases we noted where personal charges were made on the Association's credit cards issued to officers of the association. Although these charges appear to have been reimbursed by the appropriate personnel, we discourage such charges.

These corporate credit cards should only be used for official Association business and sufficient documentation must be turned in to the Accounting department with explanation of business purpose. We noted that your revised policies and procedures include a prohibition against the use of company credit cards for persona expenses. We recommend compliance with this policy be enforced.

CORRECTIVE ACTION:

All officers have been told to comply with the Associations Policies & Procedures, which addresses this issue. The Vice-President of Business, who checks the credit card charges each month, will enforce this. There may still be occasions where a movie, a room refrigerator item, etc. will appear on a hotel bill that has been paid with the company credit card. When this occurs, the party will be asked to reimburse the company. However, blatant use of the company credit card for personal items will be dealt with as a serious abridge of company policy.

FINDING # 6 Travel Policies & Procedures

The revised policy and procedures manual that was effective July 11, 1998 sits forth procedures regarding travel and the authorization thereof. It is management's and the Board off Directors' responsibility for implementing controls to ensure compliance with these procedures by all employees and directors. We recommend that you develop such controls that you deem necessary to satisfy yourselves of compliance and to document those controls.

CORRECTIVE ACTION:

A new Travel Report form is being developed with a projected beginning use date of January 1, 1999. This form should be much less complicated for the traveler and provides for the collection of more pertinent information regarding the travelers time of departure, time of return, etc. along with simple instructions regarding what expenses are or are not allowed. Strict adherence to the use of this form will be insisted upon and it will be the responsibility of the Vice President of Business to check the completed forms and to insist on compliance with the instructions and thus the Association's Policies and Procedures.

FINDING # 7 Pre-approval of expenditures

The Association lacks a pre-approval system for expenditures.

To ensure the availability of funds as well as to obtain proper authorization before expenditures are incurred, all expenditures should be pre-approved through the use of purchase orders and travel requests. This would help eliminate unnecessary and wasteful spending for airline tickets, rental cars and other costs.

CORRECTIVE ACTION:

The Association has now instituted the use of an NCR multiple copy Purchase Order Form that is being used for the purchase of all items over \$100. For purchases of any items under \$100, the staff member must first get the verbal approval from the VP of Business.

The Association has a "Travel Request Form" which must be submitted and approved by the Vice-President for National Games, who controls the Association's travel. Travel can not be

made without this form having been submitted and the travel approved. The Assistant to the VP for National Games makes all rental car and hotel reservations and purchases all airline tickets, and only at the request of the VP.

FINDING # 8: Utilization of General Ledger

Currently, the Association bills the State for reimbursement based upon actual disbursements that are accumulated on a "side ledger". The general ledger is also kept; however, it is not the primary source of internal reporting and billing.

CORRECTIVE ACTION:

On January 1, 1999 the Association will begin to keep its own General Ledger, which is currently being kept by the accounting firm of Postlethwaite & Netterville. Once the general ledger is brought in-house, it will be the only ledger on which all transactions are recorded. There will be no "side ledger".

FINDING # 9: Diminishing private funds.

As of June 30, 1998, the private fund has a deficit of \$3,125. We encourage you to closely monitor your funds available from all sources and to control expenses so those most available funds are utilized.

CORRECTIVE ACTION:

As of December 2, 1998, the Private fund account shows a balance of \$21,936, indicating that this finding has been addressed and hopefully satisfied.

FINDING # 10: Accounting Personnel

The organization should consider employment of an accountant as a controller. The duties of the financial reporting, approval of expenditures, requesting of funds from the State and other accounting functions are of enough volume and complexity to warrant such a position,

CORRECTIVE ACTION:

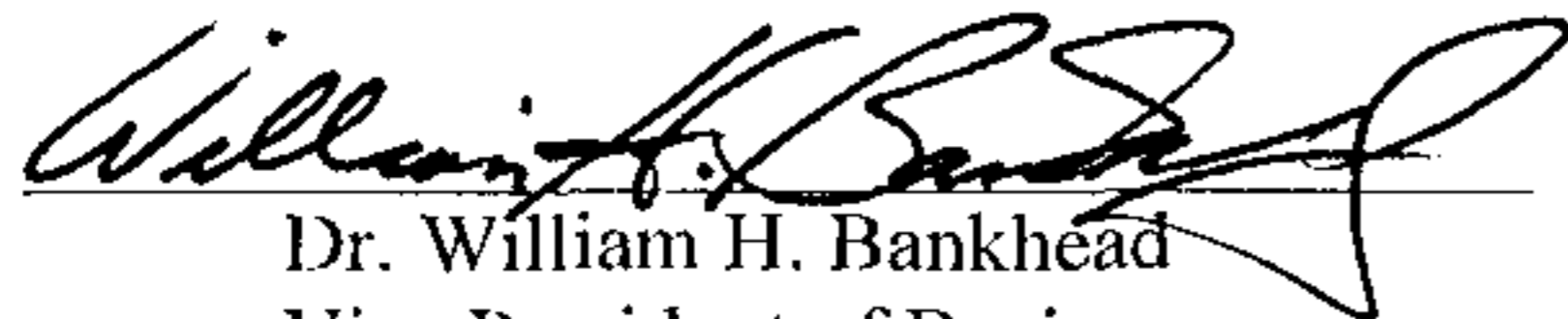
The association has sought candidates for the position of Accountant (with a degree in accounting) and has found one candidate who appears to be right for the position. That candidate has been interviewed by the staff and is due for a final interview with Fred W. Smith of Postlethwaite & Netterville, who currently keeps the General Ledger for the Association. If acceptable to Mr. Smith, the candidate will be hired and will be trained by Mr. Smith for the position of Accountant with the Association.

SUMMARY:

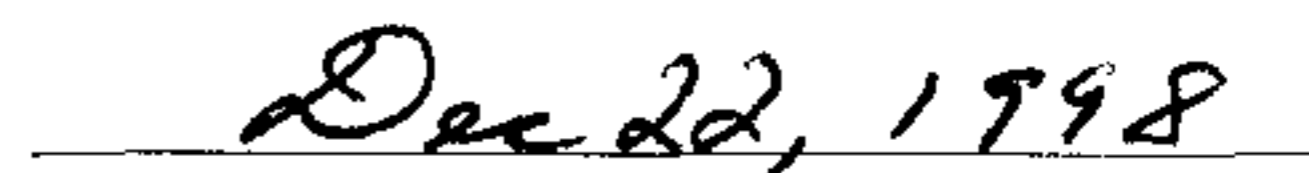
We trust that the National Senior Games Association's Corrective Actions Plan sufficiently addresses each of the audit's findings and satisfactorily answers the questions posed by these finding.

Any questions on this plan should be addressed to Dr. David Hull, President & CEO and / or Dr. William Bankhead, Vice President of Business for the National Senior Games Association, who are the persons responsible for all audit related corrective action for the Association.

SIGNED & DATED:



Dr. William H. Bankhead
Vice President of Business



Date