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MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

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Release Date SEP 10 1997

**FINANCIAL AND COMPLIANCE AUDIT
TOGETHER WITH
INDEPENDENT AUDITORS' REPORT**

FOR THE YEAR ENDED DECEMBER 31, 1996

**Bruno
& Tervalon**

REGISTERED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

We were engaged to audit the accompanying statement of financial position of Multi-Service Center for the Homeless, Inc. (the Center) as of December 31, 1996, and the related statements of activities and changes in unrestricted net assets, and cash flows for the year then ended. These financial statements are the responsibility of the Center's management.

Detailed property records have not been maintained and certain prior-year records and supporting data were not available for our audit. Therefore, we were not able to satisfy ourselves about the amounts at which net assets, fixed assets, and the related accumulated depreciation are recorded in the accompanying statement of financial position as of December 31, 1996 (stated at \$77,829, \$113,186, and \$38,923, respectively), and the amount of depreciation expense for the year then ended (stated at \$9,903).

Because of the significance of the matters discussed in the preceding paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

As disclosed in NOTE 2 to the financial statements, during the year ended December 31, 1996, the Center changed its method of accounting for contributions received and applied newly established financial reporting standards for not-for-profit organizations.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Multi-Service Center for the Homeless, Inc.
Page 2

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Supplementary information as listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements. For reasons stated in the second paragraph, we do not express an opinion on the basic financial statements. Similarly, we do not express an opinion on the supplementary information as listed in the Table of Contents.

In accordance with Governmental Auditing Standards, we have also issued a report dated June 27, 1997 on our consideration of the Center's internal control structure and a report dated June 27, 1997 on its compliance with laws, regulations, contracts and grants.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
STATEMENT OF FINANCIAL POSITION
DECEMBER 31, 1986

ASSETS

Cash	\$ 28,098
Grants receivable	30,583
Accounts receivable-employees (less allowance for doubtful accounts of \$30,173) (NOTES 3 and 10)	-0-
Other assets	3,486
Property and equipment, net of accumulated depreciation (NOTE 4)	28,263
Total assets	\$120,430

LIABILITIES AND NET ASSETS

Liabilities:	
Accounts payable and accrued liabilities	\$ 11,397
Due to the City of New Orleans (NOTES 6 and 10)	44,100
Loan payable to related party (NOTE 5)	1,202
total liabilities	56,700

CONTINGENCIES AND COMMITMENTS (NOTES 9 AND 10)

Net Assets:	
Unrestricted	23,028
Total net assets	23,028
total liabilities and net assets	\$120,428

The accompanying notes are an integral part of these financial statements.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN UNRESTRICTED NET ASSETS
FOR THE YEAR ENDED DECEMBER 31, 1996

SUPPORT AND REVENUE

SUPPORT:

Grants-Federal passed through the City of New Orleans	\$117,025
Grants-City of New Orleans	187,000
In-kind support (NOTE 7)	_64,141
Total support	368,166

EXPENSES:

Contributions	471
Other	_3,678
Total revenue	_3,678
Total support and revenue	364,488

EXPENSES:

Program services:	
Emergency shelter grants	176,720
Healthcare for the Homeless	8,500
City of New Orleans grant	94,800
Support services:	
Management and general	_31,818
Total expenses	311,838

Change in unrestricted net assets	112,210
Unrestricted net assets, beginning of year as previously reported	79,740
Prior period adjustment (NOTE 11)	_18,381
Unrestricted net assets, beginning of year, as restated	_35,643
Unrestricted net assets, end of year	6,12,819

The accompanying notes are an integral part of these
financial statements.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 1996

<u>Cash Flow from Operating Activities:</u>	
Change in unrestricted net assets	\$ (17,238)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	9,983
Prior period adjustment	19,107
<u>Changes in assets and liabilities:</u>	
Increase (decrease) in:	
grants receivable	(29,621)
Other assets	(134)
Increase (decrease) in:	
Accounts payable and accrued liabilities	(15,693)
Due to City of New Orleans	48,100
Net cash provided by operating activities	14,882
<u>Cash Flow from Investing Activities:</u>	
Purchase of furniture and equipment	(13,325)
Net cash used in operating activities	(13,325)
<u>Cash Flow from Financing Activities:</u>	
Principal payment on loan to related party	(300)
Net cash used in financing activities	(300)
Increase in cash	857
Cash, beginning of year	29,227
Cash, end of year	\$ 29,884
<u>Supplemental Cash Flow Information:</u>	
Interest Paid	\$ 5,624

The accompanying notes are an integral part of these financial statements.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Nature of Activities:

The Multi-Service Center for the Homeless, Inc. (the Center) is a non-profit corporation organized under the laws of the State of Louisiana.

The Center's primary purpose is to offer comprehensive assessment and case planning to the homeless with the goal of empowering them to regain control over their own destiny, and to become self-sufficient and self-advocates.

During the year ended December 31, 1986 the Center administered the following programs and grants:

- o Emergency Shelter Grant
- o Healthcare for the Homeless
- o City of New Orleans Grant
- o General Fund

Below is a brief description of each program or grant administered:

Emergency Shelter Grant

The Emergency Shelter grant, funded by the U.S. Department of Housing and Urban Development passed through the City of New Orleans, provides funds for essential operation services to assist in alleviating the problem of homelessness in the City of New Orleans.

Healthcare for the Homeless

Healthcare for the Homeless, funded by the U.S. Department of Health and Human Services passed through the City of New Orleans, provides funds for primary health services, mental health services and case management services to the homeless in the City of New Orleans.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Nature of Activities, Continued:

City of New Orleans Grant

The City of New Orleans grant, funded by the City of New Orleans, provides funds to comprehensively address the needs of homeless individuals and families to empower them to regain control over their lives and restore them to a position of self-sufficiency and dignity.

General Fund

The resources are primarily derived from public contributions and are used to fund the operations of the Center not directly covered by specific programs or grants administered by the Center.

NOTE 2 - Summary of Significant Accounting Policies:

Principles of Accounting

The financial statements of the Center are prepared in accordance with generally accepted accounting principles, and are prepared on the accrual basis.

Expenses to Give

Contributions are recognized when the donor makes a promise to give the Center that is, in substance, unconditional. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the fiscal year in which the contributions are recognized. All other donor-restricted contributions 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 Center uses the allowance method to determine uncollectible preconditional promises receivable. The allowance is based on prior years' experience and management's analysis of specific promises made.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Summary of Significant Accounting Policies, continued:

Contributed Services

During the year ended December 31, 1986, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded. In addition, many individuals volunteer their time and perform a variety of tasks that assist the Center.

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. Accordingly, actual results could differ from these estimates.

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and obligations of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Financial Statement Presentation

In 1986, the Center elected to adopt Statement of Financial Accounting Standards (SFAS) No. 117, "Financial Statements of Not-for-profit Organizations". Under SFAS No. 117, the Center 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 Center is required to present a statement of cash flows. As permitted by this new statement, the Center has discontinued its use of fund accounting and has, accordingly, reclassified its financial statements to present the three classes of net assets required. This reclassification had no effect on the change in net assets for 1986.

Contributions

The Center also elected to adopt SFAS No. 118, "Accounting for Contributions Received and Contributions Made", in 1986. In accordance with SFAS No. 118, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence of nature of any donor restrictions. The effect of this new statement had no effect on the change in net assets for 1986.

Income Taxes

The Center is a not-for-profit organization that is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - Summary of Significant Accounting Policies, Continued:

Property and Equipment

The Center follows the practice of capitalizing all property and equipment expenditures over \$500. Depreciation is computed under the straight-line method for all depreciable assets over their respective estimated useful life. The estimated useful lives are as follows:

Building and improvements	15 years
Furniture and equipment	7 years

Fair Value of Financial Instruments

The fair value of financial instruments approximates their carrying value at December 31, 1996.

Functional Allocation of Expenses

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

Total Column on Schedule of Functional Expenses

The total column on the schedule of functional expenses is captioned "memorandum only" to indicate that it is presented only to facilitate financial analysis. Such data is not comparable to a consolidation. Inter-fund eliminations have not been made in the aggregation of this data.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 3 - Accounts Receivable - Employee:

An Independent Accountant's Report on the application of certain agreed-upon procedures dated, September 17, 1996 indicated that checks totaling \$10,173 were made payable to and endorsed by, or on behalf of a Multi-Service Center employee. It is management's opinion that these amounts represent unauthorized transactions executed by a former employee of the Center and as such have recorded those amounts as due from that former employee.

Management has instituted legal proceedings to recover funds related to those unauthorized transactions. However, due to the uncertainty related to collectibility an allowance for the entire amount has been established.

NOTE 4 - Property and Equipment:

At December 31, 1996 property and equipment consisted of the following:

Building improvements	\$ 73,680
Furniture and equipment	38,836
	112,516
Less: accumulated depreciation	(10,823)
Total	<u>\$ 101,693</u>

Depreciation expense was \$9,943 for the year ended December 31, 1996.

NOTE 5 - Loan Payable to Related Party:

At December 31, 1996 loan payable consisted of an unsecured, non-interest bearing loan with no stated maturity to a Board member.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 6 - Due to the City of New Orleans

At December 31, 1990 amounts due to the City of New Orleans consisted of the following:

Unsupported cost reimbursed by the City of New Orleans	\$15,049
Unauthorized disbursement of City of New Orleans grant funds by a former Center Employee	28,453
	\$43,502

See NOTE 10 for further details.

NOTE 7 - In-Kind Support:

For the year ended December 31, 1990, the Center provided in-kind support as required by agreements with the City of New Orleans for the Emergency Shelter Grant Programs in the amount of \$24,181. This in-kind support primarily consisted of articles of clothing provided to the homeless supplied to the Center by local retailers recorded at their estimated fair value.

NOTE 8 - Litigation:

Currently, the Center is involved in litigation to seek recovery of unsupported and unauthorized disbursements of \$30,173 made by a former employee of the Center. These matters have also been referred to the Federal Bureau of Investigation and the District Attorney of New Orleans. The outcome of this litigation and investigation cannot be determined at this time.

NOTE 9 - Commitments:

The Center leases its facilities under an operating lease expiring February 28, 2000.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 9 - Commitments, Continued:

Minimum future rental payments under this lease having remaining term in excess of one-year as of December 31, 1990 and for subsequent years is as follows:

Year Ended December 31,

1997	\$28,000
1998	28,000
1999	28,000
2000	28,000
2001	28,000
2002	3,000
	\$123,000

Serial expense for the year ended December 31, 1990 under this lease was \$19,837 which includes an escalating clause in accordance with the Consumer Price Index.

NOTE 10 - Contingencies:

The Center is the recipient of various grants and awards of Federal funds passed through the City of New Orleans as well as grants directly from the City of New Orleans. The administration of the programs and activities funded by these grants and awards is under the control of the Center and is subject to audit and review by the applicable funding sources or their designees. Any grant or award found not to be properly spent in accordance with the terms, conditions and regulations of the funding source may be subject to recapture.

As of the date of this report, an independent accountant's report on applying agreed-upon procedures dated September 17, 1990 issued by a certified public accounting firm of operations and activities of certain programs have revealed checks totaling \$18,173 (\$20,182 and \$2,009 in 1990 and 1991, respectively) were made payable to, and endorsed by, or paid on behalf of a Multi-Service Center employee (See NOTE 9). It is management's opinion that these amounts represent unauthorized transactions and as such \$28,401 is due to the City of New Orleans designated for repayment by the Center. The difference of \$1,228 represents funds from the Center's other revenue sources (non-grant funds).

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 10 - Contingencies, continued:

In addition, the Center was reimbursed in the amount of \$10,849 related to an incorrect cost control statement submitted to the City of New Orleans which was subsequently revised and resubmitted. This amount is classified as a payable to the City of New Orleans resulting from the overpaid reimbursement (see NOTE 4).

NOTE 11 - Prior Period Adjustment:

Unrestricted net assets at the beginning of 1996 has been adjusted via certain journal entries recorded during the year to correct various errors relating to 1995. The supporting documentation related to these journal entries could not be located and was unavailable for review. Had these journal entries been recorded in 1995 net income for 1995 would have been increased by \$15,597.

NOTE 12 - Functional Classification of Expenses:

The following represents the expenses of the Center by functional classification.

	1996	PROGRAM SERVICES			GENERAL SERVICES Management and General
		Emergency Shelter Costs	Bedrooms No the NoCost	City of New Orleans Cost	
Salaries and wages	\$ 40,000	\$ 40,000	0,000	00,000	0
Payroll taxes and benefits	4,304	4,304	000	1,000	0
Professional services	14,000	14,000	0	11,700	0
Telephone and telegraph	1,000	1,000	0	000	0
Occupancy	21,000	20,000	0	1,000	0
Supplies	4,000	2,000	0	1,000	0
Repairs and maintenance	1,000	1,000	0	1,000	0
Debt and subscriptions	300	0	0	300	0
Other	10,000	1,000	0	1,000	1,000
Interest	44,000	44,000	0	0	0
Penalties and interest	0,000	0	0	0,000	0
Loss due to theft	0,000	0	0	0,000	0
Provision for bad debt	0,000	0	0	0	0,000
Depreciation	3,000	0	0	3,000	0
Total	\$140,000	\$140,000	\$0,000	\$61,000	\$61,000

SUPPLEMENTARY INFORMATION

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
 SCIENTIST OF FEDERAL AWARDS
 FOR THE YEAR ENDED DECEMBER 31, 1996

GRANTOR	ORGANIZATION CODE	SUB-E	BUDGET	GRANT EXPENDITURES
U.S. Department of Housing and Urban Development passed through the City of New Orleans	7388 7386	14.332 14.331	\$129,000 284,500	\$ 38,482 82,500
Emergency Shelter Grant-0100 Emergency Shelter Grant-0119			200,500	202,018
U.S. Department of Health and Human Services pass-through the City of New Orleans	3653	92.101	14,079	8,308
Healthcare for the Homeless			9,700,478	9,110,572
Total Federal Awards				

Major Program

See Independent Auditors' Report on Supplementary Information.

COMM-SERVICE CENTER FOR THE HOMELESS, INC.
 SCHEDULE OF FINANCIAL STATEMENTS
 For the Year ended December 31, 1998

	GENERAL SERVICES		HOUSING SERVICES		CITY OF RENO, NEVADA (City of New Orleans Grant)	Total Provisional Dollar
	REPAIRS AND GENERAL	GENERAL TRANS.	U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT Emergency Shelter GRANT-522	FOR RENTALS OR RENTALS REPAIRS RENTALS for the Provisional		
Salaries and wages	-0-	519,561	\$ 29,208	\$7,888	\$ 38,096	\$ 38,096
Beyond: Meals and beverages	-0-	2,482	1,598	882	3,062	3,062
Provisional services	-0-	287	1,798	-0-	2,085	2,085
Telephone and long distance	-0-	203	2,878	-0-	3,081	3,081
Occupancy	-0-	12,842	17,813	-0-	3,068	21,765
Travel	-0-	3,135	1,838	-0-	4,973	4,973
Repairs and maintenance	-0-	1,488	-0-	-0-	1,488	1,488
Tools and subscriptions	-0-	-0-	-0-	-0-	182	182
Other	3,431	2,892	1,818	-0-	6,141	6,141
Travel (NOTE 7)	-0-	2,892	88,243	-0-	-0-	94,035
Repairs and maintenance	-0-	-0-	-0-	-0-	18,802	18,802
Loss due to theft	-0-	-0-	-0-	-0-	8,992	8,992
Provision for bad debt	58,123	-0-	-0-	-0-	-0-	58,123
Total expenses before depreciation	21,828	66,892	126,821	8,778	84,148	281,477
Depreciation	-0-	508	-0-	-0-	5,082	5,590
Total	\$ 21,828	\$ 67,400	\$ 126,821	\$ 8,778	\$ 89,230	\$ 287,067

See independent auditor's Report on Supplementary Information.

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN ASSESS OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

We were engaged to audit the financial statements of Multi-Service Center for the Homeless, Inc. (a nonprofit organization) (the Center) as of and for the year ended December 31, 1996, and have issued our report thereon dated June 27, 1997.

In our report we were unable to express an opinion because of the Center's inability to provide detailed property records and certain prior year records and supporting data.

We conducted our audit in accordance with generally accepted auditing standards and government auditing standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

The management of the Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles. Because of inherent limitations in any internal control structure, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

In planning and performing our audit of the financial statements of the Center for the year ended December 31, 1998, we obtained an understanding of the internal control structure. With respect to the internal control structure, we obtained an understanding of the design of relevant policies and procedures and whether they have been placed in operation, and we assessed control risk in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control structure. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Center's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements (See Schedule of Reportable Conditions).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in accounts 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 structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL STRUCTURE
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing and extent of the procedures to be performed in our audit of the financial statements of the Center for the year ended December 31, 1996.

We consider the Center's lack of a record retention and storage policy to be a material weakness (See Schedule of Reportable Conditions).

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Center in a separate letter dated June 27, 1997.

This report is intended for the information of the Board of Directors, Legislative Auditor and management. However, this report is a matter of public record, and its distribution is not limited.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURES USED IN ADMINISTERING FEDERAL AWARDS**

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

We were engaged to audit the financial statements of Multi-Service Center for the Homeless, Inc. (the Center) (a nonprofit organization) as of and for the year ended December 31, 1996, and have issued our report thereon dated June 27, 1997.

In our report we were unable to express an opinion on the financial statements because of the Center's inability to provide detailed property records and certain prior year records and supporting data.

We have also audited the compliance of the Center with requirements applicable to major federal award programs and have issued our report thereon dated June 27, 1997.

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

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS
(CONTINUED)

In planning and performing our audit for the year ended December 31, 1986, we considered the internal control structure of the Center in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements of the Center and on its compliance with requirements applicable to major programs and to report on the internal control structure in accordance with OMB Circular A-133. This report addresses our consideration of internal control structure policies and procedures relevant to compliance with requirements applicable to federal award programs. We have addressed internal control structure policies and procedures relevant to our audit of the financial statements in a separate report dated June 27, 1987.

The management of the Center is responsible for establishing and maintaining an internal control structure. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures. The objectives of an internal control structure are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles, and that federal award programs are managed in compliance with applicable laws and regulations. Because of inherent limitations in any internal control structure, errors, irregularities, or instances of noncompliance may nevertheless occur and not be detected. Also, projection of any evaluation of the structure to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the effectiveness of the design and operation of policies and procedures may deteriorate.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS
(CONTINUED)

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

Accounting Controls

- o Cash
- o Support, program service fees, revenues, and receivables
- o Hoisted materials, facilities, and services
- o Expenses for program and supporting services and accounts payable
- o Payroll and related liabilities
- o Property and equipment
- o Debt and other liabilities
- o Governmental financial assistance programs

General Requirements

- o Political Activity
- o Civil Rights
- o Cash Management
- o Federal Financial Reports
- o Allowable costs/cost principles
- o Drug-free Workplace Act
- o Administrative Requirements

Specific Requirements

- o Types of services allowed or unallowed
- o Eligibility
- o Matching, level of effort, or earmarking and allowability of amounts claimed or used for matching
- o Federal financial reports and claims for advances and reimbursements
- o Special tests and provisions, if any

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE USED IN ADMINISTERING FEDERAL AWARDS
(CONTINUED)

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

During the year ended December 31, 1996, the Center expended ninety-two (92) percent (92%) of its total federal awards under major Federal award programs.

We performed tests of controls, as required by OMB Circular A-133, to evaluate the effectiveness of the design and operation of internal control structure policies and procedures that we considered relevant to preventing or detecting material noncompliance with specific requirements, general requirements, and requirements governing claims for advances and reimbursements and amounts claimed or used for matching that are applicable to each of the Center's major Federal award programs, which are identified in the accompanying Schedule of Federal Awards. Our procedures were less in scope than would be necessary to render an opinion on these internal control structure policies and procedures. Accordingly, we do not express such an opinion.

We noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the Center's ability to administer Federal award programs in accordance with applicable laws and regulations. (See Schedule of Reportable Conditions).

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level the risk that noncompliance with laws and regulations that would be material to a Federal award program may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
STRUCTURE ISSUED IN ADMINISTERING FEDERAL AWARDS
(CONTINUED)

our consideration of the internal control structure policies and procedures used in administering federal awards would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we noted the following matter involving the internal control structure and its operation that we consider to be a material weakness as defined above. This condition was considered in determining the nature, timing, and extent of the procedures to be performed in our audit of the compliance of the Center with requirements applicable to its major federal award programs for the year ended December 31, 1996, and this report does not affect our report thereon dated June 27, 1997.

We consider the Center's lack of a record retention and storage policy a material weakness (See Schedule of Reportable Conditions).

We also noted other matters involving the internal control structure and its operation that we have reported to the management of the Center in a separate letter dated June 27, 1997.

This report is intended for the information of the board of Directors, Legislative Auditor and management. However, this report is a matter of public record, and its distribution is not limited.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
SCHEDULE OF REPORTABLE CONDITIONS

• RECORD RETENTION, STORAGE AND RETRIEVAL

During our audit, we noted that the accounting records relative to various building improvements could not be located when needed. The cause of the problem appeared to be a lack of a clearly specified system for filing and retaining records and a lack of specific policy for removing prior year records from the files to a designated storage space. This condition could present problems when documents are needed in support of tax returns and other reports subject to audit by us or other governmental agencies. (See the Schedule of Findings, Recommendations and Questioned Cost).

RECOMMENDATION

We recommend the establishment of a policy specifying which records should be retained permanently and which records should be kept only for a given period before being destroyed and how long that period should be. (It might differ for different types of documents). Also, decide on when records should be removed from more accessible files to other storage areas. For example, some organizations keep the current and prior year records in the accounting department or in storage rooms on the organizations' premises and store older records in off-site warehouses. Additionally, assign personnel the responsibility to periodically clean out the files in accordance with established policy is also recommended.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
SCHEDULE OF REPORTABLE CONDITIONS, CONTINUED

• GENERAL LEDGER/BANK RECONCILIATIONS

We noted during the course of the audit, that the general ledger and related bank reconciliations are not being prepared on a timely basis. Untimely bank reconciliations and general ledger preparations contribute to a weak control environment that could potentially allow for future occurrences of unauthorized transactions and not be detected on a timely basis.

RECOMMENDATION

We recommend that the general ledger and related bank reconciliations be prepared and reviewed by management on a timely basis to ensure that all transactions have been executed in accordance with management's authorization and that these transactions are properly summarized and posted.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Multi-Service for the Homeless, Inc.

We were engaged to audit the financial statements of Multi-Service Center for the Homeless, Inc. (a nonprofit organization) (the Center) as of and for the year ended December 31, 1994 and have issued our report thereon dated June 27, 1997.

In our report we were unable to express an opinion because of the Center's inability to provide detailed property records and certain prior year records and supporting data.

We conducted our audit in accordance with generally accepted auditing standards and Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

Compliance with laws, regulations, contracts, and grants applicable to the Center is the responsibility of the Center's management. As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the Center's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our audit of the financial statements was not to provide an opinion on overall compliance with such provisions. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE BASED ON
AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS
(CONTINUED)

The results of our tests disclosed instances of non-compliance that are required to be reported herein under Government Auditing Standards (See Schedule of Findings, Recommendations and Questioned Costs).

We considered these instances of non-compliance in forming our opinion on whether the Center's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and this report does not affect our report dated June 27, 1997 on these financial statements.

This report is intended for the information of the Board of Directors, Legislative Auditor and management. However, this report is a matter of public record, and its distribution is not limited.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARD PROGRAMS

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

We were engaged to audit the financial statements of Multi-Service Center for the Homeless, Inc. (a nonprofit organization) (the Center) as of and for the year ended December 31, 1994, and have issued our report thereon dated June 27, 1997.

In our report, we were unable to express an opinion because of the Center's inability to provide detailed property records and certain prior year records and supporting data.

We have applied procedures to test the compliance of the Center with the following requirements applicable to its federal award programs, which are identified in the accompanying schedule of Federal Awards, for the year ended December 31, 1994:

GENERAL REQUIREMENTS

- | | |
|-------------------------------|-----------------------------------|
| o Political Activity | o Federal Financial Reports |
| o Civil Rights | o Allowable Costs/Cost Principles |
| o Cash Management | o Drug-Free Workplace Act |
| o Administrative Requirements | |

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH THE GENERAL REQUIREMENTS APPLICABLE
TO FEDERAL AWARD PROGRAMS
(CONTINUED)

Our procedures were limited to the applicable procedures described in the Office of Management and Budget's "Compliance Supplement for Audits of Institutions of Higher Learning and Other Non-Profit Institutions". Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Center's compliance with the requirements listed in the preceding paragraph. Accordingly, we do not express such an opinion.

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

This report is intended for the information of the Board of Directors, Legislative Auditor and management. However, the report is a matter of public record and its distribution is not limited.

Bruno & Tervalon

BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1987

& Tervalon

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL AWARD PROGRAMS**

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

We were engaged to audit the financial statements of Multi-Service Center for the Homeless, Inc. (a nonprofit organization) (the Center) as of and for the year ended December 31, 1998, and have issued our report thereon dated June 27, 1999.

In our report, we were unable to express an opinion because of the Center's inability to provide detailed property records and certain prior year records and supporting data.

We have also audited the compliance of the Center with the requirements governing types of services allowed or unallowed; eligibility matching; level of effort; or earmarking; reporting; claims for advances and reimbursements; and amounts claimed or used for matching that are applicable to each of its major federal award programs, which are identified in the accompanying schedule of Federal Awards, for the year ended December 31, 1998. The management of the Center is responsible for the Center's compliance with those requirements. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO MAJOR
FEDERAL AWARD PROGRAMS

 (CONTINUED)

We conducted our audit of compliance with those requirements in accordance with generally accepted auditing standards: Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to in the third paragraph occurred. An audit includes examining, on a test basis, evidence about the Center's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying Schedule of Findings, Recommendations and Questioned Costs. We considered those instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the Center complied, in all material respects, with the specific requirements referred to in the third paragraph that are applicable to each of its major federal award programs for the year ended December 31, 1990.

This report is intended for the information of the Board of Directors, Legislative Auditor and management. However, this report is a matter of public record, and its distribution is not limited.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1991

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
HOMELAND FEDERAL AWARD PROGRAM TRANSACTIONS**

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

We were engaged to audit the financial statements of Multi-Service Center for the Homeless, Inc. (a nonprofit organization) (the Center) as of and for the year ended December 31, 1996, and have issued our report thereon dated June 27, 1997.

In our report, we were unable to express an opinion because of the Center's inability to provide detailed property records and certain prior year records and supporting data.

In connection with our audit of the financial statements of the Center and with our consideration of the Center's internal control structure used to administer federal award programs, as required by Office of Management and Budget (OMB) Circular A-133, "Audits of Institutions of Higher Education and Other Nonprofit Institutions," we selected certain transactions applicable to certain nonmajor federal award programs for the year ended December 31, 1996. As required by OMB Circular A-133, we have performed auditing procedures to test compliance with the requirements governing types of services allowed or unallowed, that are applicable to those transactions. Our procedures were substantially less in scope than an audit, the objective of which is the expression of an opinion on the Center's compliance with these requirements. Accordingly, we do not express such an opinion.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
WITH SPECIFIC REQUIREMENTS APPLICABLE TO
ROMALON FEDERAL AERIAL PROGRAM TRANSACTIONS
(CONTINUED)

With respect to the items tested, the results of our procedures disclosed no material instances of noncompliance with the requirements listed in the preceding paragraph. With respect to items not tested, nothing came to our attention that caused us to believe that the Center had not complied, in all material respects, with those requirements. However, the results of our procedures disclosed immaterial instances of noncompliance with those requirements, which are described in the accompanying Schedule of Findings, Recommendations and Questioned Costs.

This report is intended for the information of the Board of Directors, Legislative Auditor and management. However, this report is a matter of public record, and its distribution is not limited.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
SCHEDULE OF FINANCES, RECOMMENDATIONS
AND QUESTIONED COSTS

FINDING 1 - UNSUPPORTED AND UNAUTHORIZED DISBURSEMENTS **QUESTIONED COST**
928,451

Condition

An Independent Accountant's Report on the application of certain agreed-upon procedures dated September 27, 1998 indicated that checks totaling \$30,173 were made payable to and endorsed by or paid on behalf of a former Multi-Service Center employee. The amount of those transactions are summarized as follows:

City Council Grant (non-federal)	\$10,000
Emergency Shelter Grant DDM	870
Emergency Shelter grant DSO	7,874
General Fund (non-grant sources)	1,422
sub-total	30,173
Less non-grant sources	(1,422)
Total	\$28,751

Cause

timely review and preparation of bank reconciliations and monthly accounting records and unrestricted access to unused checks.

Effect

Unauthorized and unsupported disbursements of Center funds.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.
SCHEDULE OF FINDINGS, RECOMMENDATIONS
AND QUESTIONED COSTS, CONTINUED

FINDING 1 - UNSUPPORTED AND UNAUTHORIZED
DISBURSEMENTS, CONTINUED

Criteria

Pursuant to OMB Circular A-122 "Cost Principles for Non-profit Organizations", to be allocable under an award, cost must meet the following general criteria:

- a. Be reasonable for the performance of the award and be allocable thereto under these principles.
- b. Conform to any limitations or exclusions set forth in these principles or in the award as to types or amount of cost items.
- c. Be consistent with policies and procedures that apply uniformly to both federally financed and other activities of the organization.
- d. Be accorded consistent treatment.
- e. Be determined in accordance with generally accepted accounting principles.
- f. Not be included as a cost or used to meet cost sharing or matching requirements of any other federally financed program in either the current or prior period.
- g. Be adequately documented.

Recommendation

We recommend that the Center institute procedures to restrict access to unused checks and that bank statements and related reconciliations and monthly accounting records be prepared within thirty days of month-end and reviewed by the Center's management on a timely basis. The accounting records and bank reconciliations should reflect documented evidence of management's review.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

**SCHEDULE OF FINDINGS, RECOMMENDATIONS
AND QUESTIONED COSTS, CONTINUED**

FINDING B - AUDIT REQUIREMENTS-FEDERAL QUESTIONED-COST

6-8-

Condition

The Center has not had an audit of the financial statements as of and for the years ended December 31, 1985, 1994, 1990 and 1992 as required by OMB Circular A-133. The Center did however comply with the State of Louisiana R.S. 24:513 which requires the submission of compilation and attestation reports to the State Legislative Auditor.

Cause

The Center has not fully established its policies and procedures relative to ensuring compliance with Federal Audit Requirements.

Effect

Non-compliance with OMB Circular A-133.

Criteria

OMB Circular A-133 states:

"Non-profit institutions that receive \$100,000 or more a year in Federal awards shall have an audit made in accordance with the provisions of OMB Circular A-133. The audit should be completed and the report submitted not later than 12 months after the end of the recipient's fiscal year".

Recommendation

We recommend that the Center institute procedures to ensure that audits are performed annually in accordance with the provisions of OMB Circular A-133.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

**SCHEDULE OF FINDINGS, RECOMMENDATIONS
AND QUESTIONED COSTS, CONTINUED**

FINDING	COST CONTROL STATEMENTS	QUESTIONED COST
		\$15,448

Condition

We noted during the course of the audit that two cost control statements for the month of May 1996 were filed by the Center and the cost contained in those cost control statements was subsequently reimbursed by the City of New Orleans. However, the cost of \$15,448 as reflected on one of the aforementioned May 1996 cost control statements for the Emergency Shelter Grant OIG program was not supported by the accounting records of the Center and as such has been subsequently disallowed by the City of New Orleans and the funds requested to be returned to the City.

Cause

A revision to the initial May 1996 cost control statement filed by the Center was submitted to the City, however reimbursement was received for both the initially filed and revised cost control statements for the month of May 1996.

Effect

Non-compliance with contractual requirements.

Criteria

Pursuant to General Terms and Conditions, Section 4 of the contractual agreement between the Center and the City of New Orleans, "the Contractor shall maintain an adequate accounting system to enable the monthly preparation of a cost control Statement".

Recommendation

We recommend that the Cost Control Statements be prepared from and supported by the general ledger of the applicable program.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

**SCHEDULE OF FINDINGS, RECOMMENDATIONS
AND QUESTIONED COSTS, CONTINUED**

FINDING IV - RECORD RETENTION

QUESTIONED COST

\$0-

Condition

We noted during our audit that adequate record retention policies and procedures have not been implemented. The supporting documents (i.e. vendor's invoices, cancelled checks, etc.) for various building improvements to the Center's facilities could not be located and were unable to be reviewed to substantiate the value of certain building improvements reflected in the books (general ledger) of the Center.

Cause

Lack of an established record retention policy.

Effect

Non-compliance with federal requirements and the issuance of a disclaimer of opinion on the Center's 1996 financial statements.

Criteria

Pursuant to OMB Common Rule - section 43.

"Real Property and equipment records must be retained for three years from the date of disposition or replacement or transfer at the direction of the awarding agency".

Recommendation

We recommend that the Center establish a record retention policy that coincides with various federal and contractual requirements. The Center should also make an effort to obtain the proper documentation to support the cost of building improvements and other fixed assets appearing on the Statement of Financial Position.

MULTI-SERVICE CENTER FOR THE HOMELESS, INC.

EXIT CONFERENCE

The financial statements and all related reports and schedules were discussed at an exit conference held on August 31, 1997 and attended by:

MULTI-SERVICE CENTER FOR THE HOMELESS

Mr. Anthony Recanner	--	Chairman of the Board of Directors
Mr. Richard Martinez	--	Executive Director

BRUNO & TERVALON, CERTIFIED PUBLIC ACCOUNTANTS

Mr. Michael S. Bruno, CPA, CFP	--	Managing Partner
Mr. Edward A. Tervalon, CPA	--	Manager
Mr. Armond Pinkney	--	Audit Supervisor

We appreciate the courtesies extended to us by the management and staff of the Center during the audit.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997

INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT

To the Board of Directors
Multi-Service Center for the Homeless, Inc.

In planning and performing our audit of the financial statements of Multi-Service Center for the Homeless, Inc. (the Center) for the year ended December 31, 1996, we considered the Center's internal control structure to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control structure.

However, during our audit we became aware of several matters that are opportunities for strengthening your internal controls and operating efficiency. The following summarizes our comments and suggestions regarding these matters.

CHECKS

During the course of the audit, of the twenty-five (25) check disbursements selected for testing, we noted two (2) instances which indicated that the checks were signed and made payable to a vendor prior to determination of the amount to be disbursed.

RECOMMENDATION

We recommend that no checks be signed by authorized check signers prior to the determination and indication on the check of the amount to be disbursed to the applicable payee to prevent the possibility that checks could be negotiated for unauthorized purposes.

CANCELLATION OF VENDOR'S INVOICES

During the course of the audit, of the twenty-five (25) check disbursements selected for testing, we noted seven (7) instances in which the vendor's invoice was not stamped "paid" or some other form of cancellation of the vendor's invoice to prevent duplication of payment.

RECOMMENDATION

We recommend that all vendor's invoices (including employee mileage and expense reports) be stamped "paid" or some other form of cancellation indicated upon payment to prevent duplication of payment.

CHECKS PAYABLE TO CASH

During the course of the audit, of the twenty-five (25) checks disbursements selected for testing, we noted one (1) instance in which a check was made payable to cash for the purposes of transferring funds to the payroll account from the operating account.

RECOMMENDATION

We recommend that checks drawn to transfer funds between accounts be made payable to that account and immediately restrictively endorsed "for deposit only" to prevent the negotiability of that check should it become lost or misplaced.

MAINTENANCE ON VOIDED CHECKS

During the course of the audit, of the twenty-five (25) check disbursements selected for testing, we noted one (1) instance in which a check indicated as voided could not be located. We noted no evidence that the check had been negotiated.

MULTI-SERVICES CENTER FOR THE HOMELESS, INC.
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED

MAINTENANCE OF VOIDED CHECKS, CONTINUED

RECOMMENDATION

We recommend that the Center strengthen controls over the maintenance and retention of voided checks to prevent possible unauthorized use of those checks.

PAYROLL TAXES

We noted that significant amounts of penalties and interest are being assessed by the Internal Revenue Service for delinquent payroll tax deposits.

RECOMMENDATION

We recommend that the Center implement the necessary procedures to ensure that payroll tax deposits are made on a timely basis to prevent future assessments of penalties and interest.

SUPPORTING DOCUMENTATION

During the course of the audit of the twenty-five (25) disbursements selected for testing, we noted two (2) instances in which disbursements were made without supporting documentation, one (1) instance in which the disbursement was supported by a photocopy of vendor's invoice as opposed to an original, one (1) instance in which the disbursement was supported by a summarized vendor's statement as opposed to the actual invoices and one (1) instance in which the portion of the vendor's invoice retained did not indicate the amount. Additionally, supporting documentation for various journal entries posted to beginning net assets could not be located.

**MULTI-SERVICES CENTER FOR THE HOMELESS, INC.
INDEPENDENT AUDITORS' COMMENTS TO MANAGEMENT, CONTINUED**

SUPPORTING DOCUMENTATION, CONTINUED

RECOMMENDATION

We recommend that all check disbursements be supported by and agree to original vendor invoices as well as all other documentation as required by the Center's accounting policies and procedures. Additionally, supporting documentation for all journal entries posted to the general ledger should be attached to the journal entry and retained.

LATE SUBMISSION OF AUDIT REPORT

The Center did not submit its December 31, 1996 audit report on a timely basis in accordance with Louisiana Revised Statute 28:113. The delay in submission related to issues concerning various fixed asset amounts which ultimately resulted in a disclaimer of opinion on the financial statements.

RECOMMENDATION

We recommend that the Center implement necessary procedures to ensure timely procurement of audit services to ensure and facilitate the timely completion and submission of the Center's annual audit report.

This letter does not affect our report dated June 29, 1997 on the financial statements of the Multi-Services Center for the Homeless, Inc.

MULTI-SERVICES CENTER FOR THE HOMELESS, INC.
INDEPENDENT AUDITERS' COMMENTS TO MANAGEMENT, CONTINUED

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Center personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

Bruno & Tervalon
BRUNO & TERVALON
CERTIFIED PUBLIC ACCOUNTANTS

June 27, 1997