

7249

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION

FINANCIAL STATEMENTS

December 31, 2003

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the 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 9.8.04



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION

FINANCIAL STATEMENTS

December 31, 2003



CONTENTS

	<u>Page</u>
<u>Independent Auditors' Report</u>	1
<u>Financial Statements</u>	
Statements of Financial Position	2
Statements of Activities	3 - 4
Statements of Cash Flows	5
Notes to Financial Statements	6 - 9
<u>Supplemental Information</u>	
Schedule of Revenues and Expenses by Funding Source	10 - 13
<u>Report on Compliance and Internal Control Over Financial Reporting Based on an Audit Performed in Accordance with <i>Government Auditing Standards</i></u>	14 - 15
<u>Schedule of Findings and Questioned Costs</u>	16
<u>Summary Schedule of Prior Audit Findings</u>	17 - 18





Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

Independent Auditors' Report

Board of Directors
Louisiana Center for Law and Civic Education
New Orleans, Louisiana

We have audited the accompanying statements of financial position of the Louisiana Center for Law and Civic Education (the Center) as of December 31, 2003 and 2002, and the related statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America 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 audits 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 audits provide 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 Louisiana Center for Law and Civic Education as of December 31, 2003 and 2002, and the changes in its net assets and its cash flows for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated June 28, 2004, on our consideration of the Center's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying schedule of revenues and expenses by funding source on pages 10 – 13 is presented for purposes of additional analysis and is not a required part of the financial statements of the Center. 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
June 28, 2004

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

STATEMENTS OF FINANCIAL POSITION
December 31, 2003 and 2002

ASSETS

	2003	2002
Cash and cash equivalents	\$ 71,120	\$ 88,666
Investments	13,370	12,570
Office equipment and library materials, net of accumulated depreciation of \$40,132 and \$36,433, respectively	7,692	11,391
	\$ 92,182	\$ 112,627

LIABILITIES AND NET ASSETS

Liabilities

Accrued expenses	\$ 3,900	\$ 926
Due to funding sources	-	1,074
Total liabilities	3,900	2,000

Net Assets

Unrestricted	50,241	84,705
Temporarily restricted	24,671	13,352
Permanently restricted	13,370	12,570
Total net assets	88,282	110,627

Total liabilities and net assets	\$ 92,182	\$ 112,627
---	------------------	-------------------

The accompanying notes are an integral part of these statements.



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

STATEMENTS OF ACTIVITIES
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003			Total
	Unrestricted	Temporarily Restricted	Permanently Restricted	
<u>REVENUES AND OTHER SUPPORT</u>				
Grants in aid - private sources	\$ -	\$ 51,146	\$ -	\$ 51,146
Federal and state assistance	46,000	21,658	-	67,658
Registration fees, contributions and other	15,007	4,500	800	20,307
Investment income	121	-	-	121
Contributions in-kind	9,920	-	-	9,920
Net assets released from restrictions	65,985	(65,985)	-	-
Total revenues and other support	137,033	11,319	800	149,152
<u>EXPENSES</u>				
Education programs	61,208	-	-	61,208
Management and general	72,427	-	-	72,427
Fundraising	37,862	-	-	37,862
Return of unexpended grant funds	-	-	-	-
Total expenses and losses	171,497	-	-	171,497
Change in net assets	(34,464)	11,319	800	(22,345)
<u>NET ASSETS AT BEGINNING OF YEAR</u>	84,705	13,352	12,570	110,627
<u>NET ASSETS AT END OF YEAR</u>	\$ 50,241	\$ 24,671	\$ 13,370	\$ 88,282

The accompanying notes are an integral part of these statements.



2002

<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Permanently Restricted</u>	<u>Total</u>
\$ -	\$ 53,926	\$ -	\$ 53,926
91,000	13,374	-	104,374
41,646	6,960	720	49,326
258	-	-	258
9,920	-	-	9,920
74,836	(74,836)	-	-
<u>217,660</u>	<u>(576)</u>	<u>720</u>	<u>217,804</u>
48,500	-	-	48,500
68,674	-	-	68,674
44,897	-	-	44,897
1,074	-	-	1,074
<u>163,145</u>	<u>-</u>	<u>-</u>	<u>163,145</u>
<u>54,515</u>	<u>(576)</u>	<u>720</u>	<u>54,659</u>
<u>30,190</u>	<u>13,928</u>	<u>11,850</u>	<u>55,968</u>
<u>\$ 84,705</u>	<u>\$ 13,352</u>	<u>\$ 12,570</u>	<u>\$ 110,627</u>

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2003 AND 2002

	2003	2002
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ (22,345)	\$ 54,659
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation	3,699	5,115
Endowed contributions permanently restricted	(800)	(720)
Changes in:		
Accrued expenses	2,974	274
Due to finding source	(1,074)	926
	(17,546)	60,254
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchase (redemptions) of investments	(800)	(538)
Purchase of office equipment and library materials	-	(5,292)
	(800)	(5,830)
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Endowed contributions permanently restricted	800	720
	800	720
Net increase (decrease) in cash and cash equivalents	(17,546)	55,144
CASH AND CASH EQUIVALENTS , BEGINNING OF YEAR	88,666	33,522
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 71,120	\$ 88,666

The accompanying notes are an integral part of these statements.



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

a. Nature of Operations

The Louisiana Center for Law and Civic Education, Inc. (the Center) was organized to institutionalize law-related curricula in Louisiana schools, the justice system, and the broader community; to serve as a centralized office and support network for existing and developing law-related education programs in the State of Louisiana; to provide a permanent law-related education organization for sharing common resources statewide; to conduct awareness seminars on law-related education for teachers, administrators, and community members; and to develop law-related education teaching materials. Funding for the Center's operations is provided from federal, state and private grants, fundraising activities, contributions and participant fees.

b. Basis of Accounting and Reporting

The financial statements of the Center have been prepared on the accrual basis of accounting. Accordingly, revenues are recognized when they are earned and expenses when they are incurred.

c. Basis of Presentation

In accordance with SFAS No. 117, *Financial Statements of Not-for-Profit Organizations*, the Center reports 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.

The Center reports contributions of cash and other assets as restricted support if they are received with donor or grantor stipulations that limit the use of the donated or granted assets. When a donor or grantor restriction expires (that is, when a stipulated time restriction ends or a purpose restriction is accomplished), temporarily restricted net assets are reclassified as unrestricted net assets and reported in the statement of activities as net assets released from restrictions.

Endowment contributions are permanently restricted by the donor. Interest earnings available for distribution are recorded in unrestricted net assets.

To ensure observance of limitations and restrictions placed on the uses of resources available to the Center, the accounting system is organized and operated on a fund basis. The financial statements of the individual funds have been presented on a combined basis, separated into unrestricted, temporarily restricted, and permanently restricted.

d. Office Equipment & Library Materials

Office equipment and library materials are recorded at cost. Items donated to the Center are recorded at estimated fair market value at the date of donation. Depreciation is provided over the estimated useful lives of exhaustible assets (5-7 years) on a straight line basis.



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (continued)

e. Income Taxes

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

f. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

g. Cash Equivalents

The Center considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

h. Investments

Investments consist of non-negotiable certificates of deposit and are carried at cost, which approximates fair value.

2. Temporarily Restricted Net Assets

Temporarily restricted net assets as of December 31, 2003 and 2002 include those net assets obtained from the following funding sources:

	<u>2003</u>	<u>2002</u>
IOLTA	\$ -	\$ 2,426
Community Works	1,092	3,758
Youth Summit	3,079	3,203
School-to-Career	23	953
TAPAL	3,012	3,012
East Baton Rouge Schools	4,176	-
New Orleans City Council	139	-
Police Foundation	269	-
Cypres Funds	12,881	-
	<u>\$ 24,671</u>	<u>\$ 13,352</u>



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

2. Temporarily Restricted Net Assets (continued)

Net assets were released from grantor restrictions by incurring expenses satisfying the purpose specified by grantors as follows:

	<u>2003</u>	<u>2002</u>
IOLTA	\$ 37,294	\$ 55,490
Frost Foundation	63	-
Youth Summit	4,124	3,757
Community Works	12,110	6,716
School-to-Career	945	2,499
Police Foundation	3,596	-
New Orleans City Council	4,439	-
Center for Civic Education	590	-
East Baton Rouge Schools	<u>3,897</u>	<u>6,374</u>
Total restrictions released	<u>\$ 65,985</u>	<u>\$ 74,836</u>

3. Contributed Services and Facilities

As a means of providing law and civic education, the Center solicits volunteer services from attorneys, judges, and physicians for classroom instruction. The value of these contributed services, based on average fair market hourly rates for these professionals, was approximately \$21,600 and \$22,500 for the years ended 2003 and 2002, respectively. These contributions are not recognized in the statements of activities, as they do not meet the criteria for recognition.

The Board of Directors is a voluntary board; no compensation is paid to its members.

The Center receives in-kind contributions of gratuitous rent and facilities usage. The fair market values of the occupied space and facilities are recorded as both contributions and expenses in the amount of \$9,920 for both 2003 and 2002.



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

NOTES TO FINANCIAL STATEMENTS

4. Concentrations

Grants and appropriations from private foundations and governmental agencies have historically comprised a significant portion of the Center's total revenues. Generally, these grants and appropriations provide funding on a periodic basis, with various commitments for continued funding. Significant grantors, grant revenue derived from them, and their commitments for continued funding were as follows:

	<u>2003</u> <u>Revenue</u>	<u>Commitment</u>
IOLTA	\$ 34,400	\$ 40,011 through December 31, 2004
Federal Court	\$ 26,000	No funding in 2004
Tobacco Settlement	\$ 20,000	\$ 20,000 in 2004

5. Related Party Transactions

The Center is affiliated with the Louisiana State Bar Association (the Association) by way of common management and board members. The Center's operations are conducted by employees of the Association, who work exclusively on matters of the Center. The Center pays the Association monthly fees to cover all payroll costs of those employees as well as certain overhead expenses. Amounts paid for the years ended December 31, 2003 and 2002 were approximately \$92,000 and \$104,000, respectively. The Association also provides the gratuitous rent and facilities usage as discussed in Note 3, and provided cash assistance in the amount of \$21,800 for the year ended December 31, 2003.

6. Endowed Assets

The Center's Endowment Fund (the Fund) was created through individual private donations. The Fund was primarily invested in a certificate of deposit with a local bank. Interest earnings of the Fund are to be utilized at the discretion of the Board of Directors. The principal investment of this fund is permanently restricted.

The carrying amount of the investment was \$11,828 and \$12,570 at December 31, 2003 and 2002, respectively, is its cost, which approximates fair value.

SUPPLEMENTAL INFORMATION



**LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	General	Endowment Fund	IOLTA	Community Works	Center for Civic Education	School-to-Career
REVENUES						
Grants in aid - private sources	\$ -	\$ -	\$ 34,400	\$ -	\$ -	\$ -
Federal and state assistance	26,000	-	-	9,508	-	-
Registration fees, contributions, and other	15,007	800	-	-	500	-
Investment income	121	-	-	-	-	-
Contributed rent	9,920	-	-	-	-	-
Total revenues	51,048	800	34,400	9,508	500	-
EXPENSES						
Education Programs						
Contractual fees	3,072	-	-	8,445	470	98
Education materials	218	-	-	-	-	-
Program events and workshops	1,861	-	-	824	-	119
Salaries and wages	6,183	-	10,500	-	-	-
Payroll taxes and benefits	5,565	-	-	-	-	-
Postage and Printing	-	-	-	498	-	-
Stipends/Awards - Teachers	250	-	-	1,800	-	-
Travel expenses	-	-	-	543	-	-
Total education program expenses	17,148	-	10,500	12,110	470	216
Management and General						
Audit fees	-	-	3,900	-	-	-
Depreciation	3,699	-	-	-	-	-
Insurance	500	-	-	-	-	-
Meetings and conferences	2,208	-	-	-	-	-
Miscellaneous	1,581	-	-	-	100	15
Office expense	5,250	-	670	-	-	420
Salaries and wages	8,542	-	7,500	-	-	-
Payroll taxes and benefits	5,073	-	-	-	-	-
Postage and printing	2,137	-	990	-	-	89
Newspaper and publishing	4,233	-	-	-	-	-
Professional fees	50	-	-	-	-	-
Rent	9,920	-	-	-	-	-
Telephone and fax	2,326	-	1,734	-	-	-
Travel expenses	2,432	-	-	-	20	205
Total management and general	47,950	-	14,794	-	120	729



Police Foundation	NO City Council	Youth Summit	EBR Schools	Tobacco Fund	Cypres Funds	Frost Foundation	Total
\$ 3,865	\$ -	\$ -	\$ -	\$ -	\$ 12,881	\$ -	\$ 51,146
-	4,450	-	7,700	20,000	-	-	67,658
-	-	4,000	-	-	-	-	20,307
-	-	-	-	-	-	-	121
-	-	-	-	-	-	-	9,920
<u>3,865</u>	<u>4,450</u>	<u>4,000</u>	<u>7,700</u>	<u>20,000</u>	<u>12,881</u>	<u>-</u>	<u>149,152</u>
-	-	-	1,513	-	-	-	13,597
2,332	1,573	200	-	-	-	-	4,324
1,099	1,640	3,924	1,351	-	-	-	10,817
-	-	-	-	4,468	-	-	21,151
-	-	-	-	1,675	-	-	7,240
-	-	-	498	-	-	-	996
-	-	-	-	-	-	-	2,050
-	-	-	490	-	-	-	1,033
<u>3,431</u>	<u>3,213</u>	<u>4,124</u>	<u>3,852</u>	<u>6,143</u>	<u>-</u>	<u>-</u>	<u>61,208</u>
-	-	-	-	-	-	-	3,900
-	-	-	-	-	-	-	3,699
-	-	-	-	-	-	-	500
-	-	-	-	-	-	-	2,208
-	-	-	-	-	-	-	1,696
-	1,189	-	-	-	-	63	7,593
-	-	-	-	5,472	-	-	21,514
165	-	-	45	1,862	-	-	7,145
-	-	-	-	-	-	-	3,216
-	-	-	-	-	-	-	4,233
-	-	-	-	-	-	-	50
-	-	-	-	-	-	-	9,920
-	37	-	-	-	-	-	4,097
-	-	-	-	-	-	-	2,657
<u>165</u>	<u>1,226</u>	<u>-</u>	<u>45</u>	<u>7,334</u>	<u>-</u>	<u>63</u>	<u>72,427</u>



**LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA**

**SCHEDULE OF REVENUES AND EXPENSES BY FUNDING SOURCE
FOR THE YEAR ENDED DECEMBER 31, 2003**

	<u>General</u>	<u>Endowment Fund</u>	<u>IOLTA</u>	<u>Community Works</u>	<u>Center for Civic Education</u>	<u>School-to-Career</u>
Fundraising						
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Event Activity	-	-	-	-	-	-
Salaries and wages	9,820	-	12,000	-	-	-
Payroll taxes and benefits	7,058	-	-	-	-	-
Total fundraising	<u>16,878</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
Return of unexpended grant funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenses	<u>81,977</u>	<u>-</u>	<u>37,294</u>	<u>12,110</u>	<u>590</u>	<u>945</u>
Revenues over (under) expenses	<u>\$ (30,929)</u>	<u>\$ 800</u>	<u>\$ (2,894)</u>	<u>\$ (2,602)</u>	<u>\$ (90)</u>	<u>\$ (945)</u>



<u>Police Foundation</u>	<u>NO City Council</u>	<u>Youth Summit</u>	<u>EBR Schools</u>	<u>Tobacco Fund</u>	<u>Cypres Funds</u>	<u>Frost Foundation</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	6,627	-	-	28,447
-	-	-	-	2,357	-	-	9,415
-	-	-	-	8,984	-	-	37,862
-	-	-	-	-	-	-	-
3,596	4,439	4,124	3,897	22,461	-	63	171,497
\$ 269	\$ 11	\$ (124)	\$ 3,803	\$ (2,461)	\$ 12,881	\$ (63)	\$ (22,345)





Postlethwaite & Netterville

A Professional Accounting Corporation
Associated Offices in Principal Cities of the United States
www.pncpa.com

**REPORT ON COMPLIANCE AND INTERNAL CONTROL OVER FINANCIAL REPORTING BASED
ON AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Louisiana Center for Law and Civic Education
New Orleans, Louisiana

We have audited the financial statements of the Louisiana Center for Law and Civic Education (the Center) as of and for the year ended December 31, 2003, and have issued our report thereon dated June 28, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 Center's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants; noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Center's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted a certain matter involving the internal control 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 control over financial reporting that, in our judgment, could adversely affect an entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is identified in the accompanying schedule of findings and questioned costs as item 2003-1.

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. We believe that the condition described above is not a material weakness.

This report is intended for the information of the Center's management, the Louisiana Legislative Auditor, and awarding agencies, and it is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Pastlithwait & Methivilly

Baton Rouge, Louisiana

June 28, 2004



LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2003

2003-1

Criteria:

An optimal internal control would include segregation of the functions of custodianship of assets, recording of the transactions, and reconciliation of the external documents to the accounting records.

Condition:

Due to the Center's very small staff, there is an inherent lack of segregation of accounting duties. The same individual (Executive Director) writes and records check disbursements and maintains custody of the checks. This individual also signs checks (although dual signature, with another board member is required and generally practiced).

Despite the inherent lack of segregation, the Center has input certain compensating controls, such as having bank reconciliations prepared and check registers reviewed by a contracted "bookkeeper" (external party) and direct communication between the bookkeeper and the treasurer of the board.

Effect:

The mitigating controls help diminish the inherent risk of a lack of segregation of duties.

Recommendation:

In small non-profit organizations, segregation of duties is a common condition. Given the very limited resources of the Center, it may be difficult to hire the additional staff that would be necessary in order to thoroughly segregate the various accounting duties. No action recommended at this time.

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
December 31, 2003

2002-1

Criteria: Louisiana Revised Statute 24:513 requires Quasi-Public entities (as defined) to have audit engagements approved by the Legislative Auditor's office and to submit the audited financial statements and associated auditor's reports to the Legislative Auditor within six months of year-end.

Condition: While having engaged a firm to perform the audit required under the statute, said audit was not approved by the Legislative Auditor in advance and the reporting package was submitted to the Legislative Auditor subsequent to the required deadline.

Effect: At this point in time, there is no anticipated financial impact.

Recommendation: Communicate to the auditor well in advance of field work (before or soon after year-end) that state or federal assistance has been received. The auditor and the Center should then work together to ensure proper engagement approval from and timely submission to the Louisiana Legislative Auditor.

Action taken: *The Center contracted with the auditor early in 2004 to conduct the audit, at which time compliance with the aforementioned statute was considered. The Center intends to submit the audit within the required six month time frame.*

2002-2

Criteria: An optimal internal control would include segregation of the functions of custodianship of assets, recording of the transactions, and reconciliation of the external documents to the accounting records.

Condition: Due to the Center's very small staff, there is an inherent lack of segregation of accounting duties. The same individual (Executive Director) writes and records check disbursements and maintains custody of the checks. This individual also signs checks (although dual signature, with another board member is required and generally practiced).

Despite the inherent lack of segregation, the Center has attempted to input certain compensating controls, such as having bank reconciliations prepared by a contracted "bookkeeper" (external party), however, communication of any problems identified in the bank reconciliation process would be reported to the Executive Director, thereby nullifying any benefit of that compensating control. Additionally, the frequency with which the bookkeeper provided services to the Center diminished from the prior year (from monthly to quarterly).

Effect: The Center is exposed to risk of errant financial reports as well as improper use of the Center's funds on the part of the staff.

Recommendation: In small non-profit organizations, segregation of duties is a common condition. Given the very limited resources of the Center, it may be difficult to hire the additional staff that would be necessary in order to thoroughly segregate the various accounting duties. However, the Center may wish to adopt policies and procedures that could help mitigate the risks present as a result of this condition. Such

LOUISIANA CENTER FOR LAW AND CIVIC EDUCATION
NEW ORLEANS, LOUISIANA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2003

2002-2 (continued)

Recommendation:

policies and procedures could provide a level of separation, or at least close oversight of the books and records, by employing a contracted bookkeeper to perform reconciliation services on a monthly basis as well as encouraging direct communication from the bookkeeper to the treasurer.

Action taken:

The Center has continued to employ the contracted bookkeeper and has begun to utilize the Center's assistant for some financial tasks, thereby introducing some segregation. Additionally, communication has been established between the contracted bookkeeper and the treasurer. Finally, the current treasurer has taken a closer oversight role of the Center's finances and accounting.