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NEW HORIZONS, INC.
SHREVEPORT, LOUISIANA
SEPTEMBER 30, 2001 AND 2000

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 4/9/03

NEW HORIZONS, INC.

SHREVEPORT, LOUISIANA

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AUDITED FINANCIAL STATEMENTS

**HEARD
McELROY
& VESTAL**
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CERTIFIED PUBLIC ACCOUNTANTS

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C. CODY WHITE, JR., CPA, APC
WILLIAM L. HIGHTOWER, CPA

March 20, 2003

To the Board of Directors
New Horizons, Inc.
Shreveport, Louisiana

Independent Auditor's Report

We have audited the accompanying statement of financial position of New Horizons, Inc. (a nonprofit organization) as of September 30, 2001, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the entity's management. Our responsibility is to express an opinion on these financial statements based on our audit. The financial statements of New Horizons, Inc. as of September 30, 2000, were audited by other auditors whose report dated March 5, 2001, expressed an unqualified opinion on those statements.

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. 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 2001 financial statements referred to above present fairly, in all material respects, the financial position of New Horizons, Inc. as of September 30, 2001, and the changes in its net assets and its cash flows for the year 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 March 20, 2003, on our consideration of New Horizons, Inc.'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.

Heard McElroy & Vestal, LLP

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NEW HORIZONS, INC.

STATEMENTS OF FINANCIAL POSITION

SEPTEMBER 30, 2001 AND 2000

<u>A S S E T S</u>	<u>2001</u>	<u>2000</u>
<u>Current assets:</u>		
Cash (Note 2)	18,447	1,912
Grant receivables (Note 3)	<u>163,321</u>	<u>116,123</u>
Total current assets	181,768	118,035
 Property and equipment: (Notes 4 and 8)		
Property and equipment	173,750	237,288
Accumulated depreciation	<u>(51,301)</u>	<u>(103,401)</u>
Net property and equipment	<u>122,449</u>	<u>133,887</u>
 Total assets	<u>304,217</u>	<u>251,922</u>
 <u>LIABILITIES AND NET ASSETS</u>		
<u>Current liabilities:</u>		
Bank overdrafts	-	41,257
Accounts payable	9,604	3,529
Accrued liabilities (Note 7)	179,140	30,471
Other liabilities	-	1,685
Line of credit (Note 8)	<u>107,600</u>	<u>90,000</u>
Total current liabilities	296,344	166,942
 Net assets:		
Unrestricted:		
Operating	(114,576)	(48,907)
Fixed assets	<u>122,449</u>	<u>133,887</u>
 Total net assets	<u>7,873</u>	<u>84,980</u>
 Total liabilities and net assets	<u>304,217</u>	<u>251,922</u>

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

NEW HORIZONS, INC.

STATEMENTS OF ACTIVITIES

FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>Revenues and other support:</u>		
Contractual revenue-grants (Note 5)	956,789	1,006,729
Medicaid contract	610,326	494,961
Miscellaneous revenues	<u>44,687</u>	<u>19,987</u>
Total revenues and other support	1,611,802	1,521,677
<u>Expenses:</u>		
Medicaid	556,559	536,555
Traumatic head and spinal cord injury	373,107	511,719
Title VII Part C	160,581	137,124
Rural independent living	98,507	107,186
LRS-Personal Care Assistance	114,594	57,934
Deaf Action Center	36,334	122,550
Personal Care Assistance Program	34,301	42,758
Title VII Part B	25,777	27,029
Office for Citizens with Developmental Disabilities	47,500	12,159
Supported living	108,004	86,215
General administration	104,248	15,794
Other	<u>29,397</u>	<u>17,834</u>
Total expenses	<u>1,688,909</u>	<u>1,674,857</u>
<u>Change in net assets</u>	(77,107)	(153,180)
<u>Net assets, beginning of year</u>	<u>84,980</u>	<u>238,160</u>
<u>Net assets, end of year</u>	<u>7,873</u>	<u>84,980</u>

NEW HORIZONS, INC.

STATEMENTS OF CASH FLOWS

FOR THE YEARS ENDED SEPTEMBER 30, 2001 AND 2000

	<u>2001</u>	<u>2000</u>
<u>Cash flows from operating activities:</u>		
Change in net assets	(77,107)	(153,180)
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation	9,639	12,994
(Increase) decrease in operating assets:		
Grant receivables	(47,198)	15,065
Other receivables	-	9,146
Increase (decrease) in operating liabilities:		
Accounts payable	6,075	(5,820)
Accrued liabilities	148,669	(2,480)
Other liabilities	<u>(1,685)</u>	<u>(173)</u>
Net cash provided (used) by operating activities	38,393	(124,448)
<u>Cash flows from investing activities:</u>		
Proceeds from sale of property and equipment, net	1,799	-
Payments for property and equipment	<u>-</u>	<u>(2,743)</u>
Net cash provided (used) by investing activities	1,799	(2,743)
<u>Cash flows from financing activities:</u>		
Draws on line of credit, net	17,600	48,808
Payments on bank overdrafts	<u>(41,257)</u>	<u>41,257</u>
Net cash provided (used) by financing activities	<u>(23,657)</u>	<u>90,065</u>
<u>Net increase (decrease) in cash</u>	16,535	(37,126)
<u>Cash at beginning of year</u>	<u>1,912</u>	<u>39,038</u>
<u>Cash at end of year</u>	<u><u>18,447</u></u>	<u><u>1,912</u></u>

Interest paid during the years ended September 30, 2001 and 2000 was \$13,386 and \$7,075, respectively.

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

NEW HORIZONS, INC.

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 30, 2001 AND 2000

1. Summary of Significant Accounting Policies

A. Nature of Activities

New Horizons, Inc. (New Horizons), is a nonprofit corporation under the laws of the State of Louisiana. New Horizons was established to provide an opportunity for severely handicapped persons to participate in a broad activities program, including community activities, recreation, and other services, to make possible a broader life enrichment program for handicapped persons. The following programs are administered by New Horizons, shown with their approximate percentages of total revenue:

Medicaid – 38 %
Traumatic head and spinal cord injury – 21 %
Title VII Part C – 10 %
Rural Independent Living – 6 %
LRS – Personal Care Assistance – 9 %
Personal Care Assistance Program – 2 %
Title VII Part B – 2 %
Office for Citizens with Development Disabilities – 1 %
Supported Living – 7 %
General Administration – 1 %
Other – 3 %

B. Basis of Accounting

The financial statements of New Horizons have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its 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.

D. Income Tax Status

New Horizons is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Services as an organization other than a private foundation. New Horizons, therefore, is not subject to income taxes. However, income from certain activities not directly related to New Horizon's tax-exempt purpose is subject to taxation as unrelated business income. New Horizons had no such income for this audit period.

1. Summary of Significant Accounting Policies (Continued)

E. Use of Estimates

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities and the reported revenues and expenses. Actual results could differ from those estimates.

F. Cash and Cash Equivalents

New Horizon's cash, as stated for cash flow purposes, consists of interest-bearing and noninterest bearing bank accounts. New Horizons has no other assets that are considered cash equivalents.

G. Property and Equipment

Property and equipment are carried at cost or, if donated, at the approximate fair value at the date of donation. Depreciation is computed using the straight-line method over the estimated useful life of each asset. The State of Louisiana and the federal government have a reversionary interest in property purchased with state and federal funds. Its disposition as well as the ownership of any proceeds therefrom is subject to state and federal regulations.

H. Revenue and Support

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support, depending on the existence and/or nature of any donor restrictions.

Contractual grant revenue is reported as unrestricted support due to the restrictions placed on those funds by the funding sources being met in the same reporting period as the revenue is earned.

Support that is restricted by the donor is reported as an increase in unrestricted net assets if the restriction expires in the reporting period in which the support is recognized. All other donor-restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires (that is, when a stipulated time restriction ends or purpose restriction is accomplished), temporarily restricted net assets are reclassified to unrestricted net assets and reported in the Statement of Activities as net assets released from restrictions.

I. Retirement Obligations

The employees of New Horizons are members of the Social Security System. There are no other retirement plans available through New Horizons.

J. Expense Allocation

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

2. Concentrations of Credit Risk

Financial instruments that potentially subject New Horizons to concentrations of credit risk consist principally of temporary cash investments and grant receivables. Concentrations of credit risk with respect to grant receivables are limited due to these amounts being due from governmental agencies under contractual terms. As of September 30, 2001 and 2000, New Horizons had no significant concentrations of credit risk in relation to grant receivables. New Horizons maintains cash balances at several financial institutions. Accounts at each institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$100,000. At September 30, 2001 and 2000, there were no uninsured balances at these institutions. As of September 30, 2001 and 2000, New Horizons had no significant concentrations of credit risk.

3. Grant Receivables

Various funding sources provide reimbursement of allowable costs and payment on units of service in connection with providing services under contracts or agreements. This balance represents amounts due from funding sources at September 30, 2001 and 2000, but received after those dates.

4. Property and Equipment

Property and equipment consisted of the following at September 30, 2001 and 2000:

	<u>Estimated Depreciable Life</u>	<u>2001</u>	<u>2000</u>
Furniture and equipment	5 - 7 years	46,250	85,346
Vehicles	5 years	-	24,442
Buildings	20 - 30 years	127,500	127,500
Accumulated depreciation		<u>(51,301)</u>	<u>(103,401)</u>
Net investment in property and equipment		<u>122,449</u>	<u>133,887</u>

New Horizons sold its buildings in July 2002 for \$136,500, and began leasing space for its main office.

Depreciation expense for the years ended September 30, 2001 and 2000 was \$9,639 and \$12,994, respectively.

5. Contractual Revenue – Grants

During the years ended September 30, 2001 and 2000, New Horizons received contractual revenue from federal and state grants in the amount of \$1,567,115 and \$1,501,690, respectively. The continued existence of these funds is based on annual contract renewals with various funding sources. All revenue from these grants is subject to audit and retroactive adjustment by the respective third-party fiscal intermediaries; adjustments in future periods may be necessary as final grant settlements are determined.

6. Leases

New Horizons leases space and equipment under several operating leases. Rental costs on those leases for the years ended September 30, 2001 and 2000 were \$23,000 and \$18,800, respectively. Commitments under lease agreements having initial or remaining noncancelable terms in excess of one year as of September 30, 2001 include \$23,100 and \$11,500 in the years ended September 30, 2002 and 2003, respectively.

7. Accrued Liabilities

Accrued liabilities at September 30, 2001 and 2000 consisted of the following:

	<u>2001</u>	<u>2000</u>
Accrued payroll	30,835	25,921
Accrued leave	10,990	4,550
Payroll taxes payable	<u>137,315</u>	<u>-</u>
	<u>179,140</u>	<u>30,471</u>

8. Line of Credit

New Horizons has a \$115,000 revolving line of credit. Bank advances on the credit line are payable on demand and carry an interest rate of 6.5% at September 30, 2001. The credit line is secured by real estate of New Horizons. The outstanding balance on the line as of September 30, 2001 and September 30, 2000, was \$107,600 and \$90,000, respectively. This credit line was repaid from the proceeds of the sale of buildings by New Horizons in July 2002.

OTHER REPORTS

March 20, 2003

To the Board of Directors
New Horizons, Inc.
Shreveport, Louisiana

**Report on Compliance and on Internal Control Over Financial
Reporting Based on an Audit of Financial Statements Performed in
Accordance with Government Auditing Standards**

We have audited the financial statements of New Horizons, Inc. as of and for the year ended September 30, 2001, and have issued our report thereon dated March 20, 2003. 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 financial statements of New Horizons, Inc. 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 these provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as item 2001-01.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered New Horizons, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect New Horizons, Inc.'s ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2001-02 through 2001-05.

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 over financial reporting that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions listed above, we consider item 2001-02 to be a material weakness. We also noted other matters involving the internal control over financial reporting which we have reported to management of New Horizons, Inc. in a separate management letter dated March 20, 2003.

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

Heard, McGraw + Vester, LLP

NEW HORIZONS, INC.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of New Horizons, Inc.
2. Four reportable conditions are reported; one is a material weakness.
3. One instance of noncompliance material to the financial statements of New Horizons, Inc. was disclosed during the audit.
4. New Horizons, Inc. was not subject to a Single Audit under the provisions of OMB Circular A-133 for the year ended September 30, 2001.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2001-01 - Compliance Finding

Statement of Condition: New Horizons, Inc. did not submit its audit report for the year ended September 30, 2001 within six months of its year end as required by state law.

Criteria: Louisiana state law requires auditees to submit their audit reports within six months after their fiscal year end.

Effect of Condition: The agency was not in compliance with state law.

Recommendation: We recommend that agency take necessary steps to ensure audit is submitted timely in the future.

Response: New Horizons, Inc. has engaged an independent CPA, other than our auditor, to help support our accounting function and provide more accurate monthly financial information. We will start preparing for our yearly audit on October 1st of each year to ensure the audit will be done in a timely manner. We will be in contact with our independent auditor as soon as possible after October 1st to set up times to come in and review our records. New Horizons, Inc. will take more responsibility in making sure that all information is given to the independent auditor in a timely manner so that he/she can finish the audit before the imposed six months deadline.

2001-02 - Reportable Condition - Material Weakness

Statement of Condition: During our testing of payroll allocations, we noted that the organization did not always have an approved cost allocation plan to support the allocations used in claiming reimbursement under certain grant billings.

Criteria: Approved cost allocation plans should be obtained from the state, and retained in the files, to support all allocations of cost claimed for reimbursement from funding agencies.

Effect of Condition: Because of the lack of documentation, the organization may not be able to adequately support its billings to funding agencies, or have to spend excess personnel time in supporting such billings.

Response: Approved cost allocations will be retained and kept in a file set up specifically for that purpose. All allocations of cost claimed for reimbursement will be supported by approved cost allocations.

2001-03 – Reportable Condition

Statement of Condition: During our testing of the agency's revenue and accounts receivable billings, we noted that no reconciliation is performed between the amounts billed by the agency and the amounts subsequently received from its various funding sources. Significant adjusting entries had to be made to adjust the accounts receivable at September 30, 2001.

Criteria: Internal controls should be in place to provide for reconciling amounts billed with amounts received on a timely basis to ensure the agency is receiving the appropriate amounts.

Effect of Condition: Because of the lack of a reconciliation of amounts billed to the amounts received, the revenues and receivables on the agency's books were not correctly stated during the year. In addition, the agency cannot determine that they have received the appropriate amounts.

Recommendation: We recommend that the agency implement adequate controls to provide for a monthly reconciliation of all amounts billed and all amounts subsequently received to ensure the agency is receiving the appropriate revenues from its funding sources.

Response: Our CPA consultant will help us maintain a spreadsheet with the following information on it: invoice #, funding source, amount billed, and amount paid. This information will then be reconciled to the accounting software on a monthly basis. If the entire invoice was not paid then there will be a note made as to why the invoice was not received. If an invoice is not received in full, there will be documentation that a rebill was attempted or an explanation as to why not.

2001-04 – Reportable Condition

Statement of Condition: During our testing of the agency's accounts payable and other liability accounts, we noted that no reconciliation is performed between the amounts set up as payables and other liabilities and the subsequent payments made on those liabilities. Significant adjusting entries had to be made to adjust the liability accounts at September 30, 2001.

Criteria: Internal controls should be in place to provide for reconciling amounts recorded as payables with the subsequent payments made on those liabilities on a monthly basis.

Effect of Condition: Because of the lack of a reconciliation of amounts recorded as liabilities and amounts subsequently paid, the expenses and liabilities on the agency's books were not correctly stated.

Recommendation: We recommend that the agency implement adequate controls to provide for a monthly reconciliation of all amounts recorded as liabilities and the amounts subsequently paid to ensure agency's books are correctly stated.

Response: The liabilities and amounts paid will be reconciled on a monthly basis to ensure the books are correctly stated. All liabilities and amounts paid need to be stated on a spreadsheet. Each month the amounts recorded as liabilities will be reconciled to make sure our books are correctly stated.

2001-05 – Reportable Condition

Statement of Condition: As noted on the Statement of Financial Position, the agency's operating net assets decreased from (\$48,907) at September 30, 2000 to (\$114,576) at September 30, 2001.

Criteria: Internal controls should be in place to provide for a monitoring of the agency's financial position on a monthly basis.

Effect of Condition: The agency's financial position declined during the year, to the point of having a deficit in operating net assets of (\$114,576).

Recommendation: We recommend that management and the Board of Directors meet on a monthly basis to monitor the agency's financial position and to formulate financial plans to eliminate the deficits.

Response: The management and the board of directors meet on a monthly basis to monitor our financial position. The directors of administration and executive director are available to answer all questions posed by the board. The board will meet on a monthly basis to formulate financial plans to attempt to eliminate the deficit in the operating net assets.

NEW HORIZONS, INC.

SCHEDULE OF PRIOR YEAR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

The prior year findings and questioned costs for the audit period ended September 30, 2000 are addressed below:

2000-01: Release of Checks Without Adequate Funds.

Cleared.

2000-02: Lack of Preparation of Bank Reconciliations.

Cleared.

2000-03: Lack of Reconciliation of Billings to Subsequent Receipts.

See reportable condition in current year audit.

2000-04: Lack of Reconciliation of Payables to Subsequent Payments.

See reportable condition in current year audit.

2000-05: Deficit in Operating Net Assets.

See reportable condition in current year audit.

2000-06: Untimely Submission of Audit Report to Louisiana Legislative Auditor.

See compliance finding in current year audit.

The prior year management letter comments for the year ended September 30, 2000 are addressed below:

Comment #1: Fixed Asset Inventory

See management letter comment in current year audit.

Comment #2: Payroll Tax Reports

See management letter comment in current year audit.

Comment #3: Cost Allocations

See reportable condition in current year audit.

Comment #4: Inadequate Supporting Documents

See management letter comment in current year audit.

Comment #5: Deaf Action Center

Cleared.

Comment #6: MRDD/OCDD

Cleared.

Comment #7: Mail Receipts

Cleared.

Comment #8: Mailing of Checks

Cleared.

Comment #9: Monthly Bank Statements

Cleared.

NEW HORIZONS, INC.

CORRECTIVE ACTION PLAN FOR MANAGEMENT LETTER COMMENTS

FOR THE YEAR ENDED SEPTEMBER 30, 2001

(1) Fixed Asset Inventory

Fixed Asset Inventory will be reconciled to the general ledger at least annually. The administrative assistant will track fixed assets during the year.

(2) Payroll Tax Reports

The 941s will be reconciled with the general ledger every quarter. This will be done to ensure the correct reporting of numbers.

(3) Inadequate Supporting Documentation

All supporting documents will be filed in a timely manner. All invoices will be filed with a copy of the check attached.

(4) Payroll Taxes

Accounting personnel will keep a calendar of due dates related to payroll tax deposits, and make such deposits on a timely basis.

(5) Employee Expense Reimbursements

We will begin requiring proper, complete documentation and authorization on all employee expenses before these employees are reimbursed.

HEARD McELROY & VESTAL

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WILLIAM HIGHTOWER, CPA

March 20, 2003

To the Board of Directors
New Horizons, Inc.
Bossier City, Louisiana

We have audited the financial statements of New Horizons, Inc. (New Horizons), for the year ended September 30, 2001, and have issued our report thereon dated March 20, 2003. In planning and performing our audit of the financial statements of New Horizons, Inc., we considered its 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.

During our audit, certain matters were noted involving internal controls over financial reporting and other operational matters which appear to merit your attention for consideration to improve the internal control or operations of New Horizons. These comments have been discussed with the appropriate members of management.

(1) FIXED ASSET INVENTORY

New Horizons continues to track its fixed assets during the year. However, we noted that the fixed asset inventory is not being reconciled to the general ledger.

We recommend that New Horizons continue to update their fixed asset records and reconcile the fixed asset inventory listing with the general ledger on an annual basis.

(2) PAYROLL TAX REPORTS

During our audit, we noted that the salaries reported on the organization's 941 quarterly payroll tax reports were not being reconciled to the salaries reported on the organization's general ledger.

We recommend that the amounts reported on the payroll tax reports be reconciled to the organization's general ledger each quarter.

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AUDITOR

(3) INADEQUATE SUPPORTING DOCUMENTS

During our testing of expenses and accounts payable, we requested supporting document for certain checks. The client was unable to locate invoices for 3 checks selected for testing.

We recommend that checks be issued only from original vendor invoices which have been approved by the Executive Director, and that the agency implement a filing system for retaining these documents.

(4) Payroll Taxes

We noted during our audit that New Horizons has not been making timely deposits of federal and state payroll taxes withheld and accrued.

Although the correct liability to the taxing authorities was accrued at year-end, we recommend that the agency track all payroll tax amounts due, and make the required deposits by the due dates set by taxing authorities.

(5) Employee Expense Reimbursements

During our testing of the agency's employee expense reimbursements, we noted that employees were being reimbursed for expenses without proper invoice support.

We recommend that the organization implement adequate controls to provide that employees will not be reimbursed for expenses that do not have proper support and have not been authorized by proper personnel.

Heard, McElroy + Ventral, LLP