

5951

RECEIVED
03 APR 11 AM 11:34

**TREME' COMMUNITY EDUCATION PROGRAM, INC.
NEW ORLEANS, LOUISIANA**

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

FOR THE YEAR ENDED JUNE 30, 2002

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 4/16/03

TABLE OF CONTENTS

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT | 1 |
| STATEMENT OF FINANCIAL POSITION JUNE 30, 2002 | 3 |
| STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT) FOR THE YEAR ENDED JUNE 30, 2002 | 4 |
| STATEMENT OF FUNCTIONAL EXPENSES FOR THE YEAR ENDED JUNE 30, 2002 | 5 |
| STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2002 | 6 |
| NOTES TO THE FINANCIAL STATEMENTS | 7 |
| SUPPLEMENTARY INFORMATION: | |
| Independent Auditors' Report on Supplementary Information | 16 |
| Schedule I - Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2002 | 17 |
| Exhibit I - Combining Statement of Financial Position--June 30, 2002 | 18 |
| Exhibit II - Combining Statement of Activities and Changes in Net Assets (Deficit) for the Year Ended June 30, 2002 | 20 |
| Exhibit III - Combining Statement of Functional Expenses For the Year Ended June 30, 2002 | 22 |

TABLE OF CONTENTS, CONTINUED

| | <u>PAGE</u> |
|--|-------------|
| INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 23 |
| SUMMARY SCHEDULE OF FINDINGS FOR THE YEAR ENDED JUNE 30, 2002 | |
| Section I -- Summary of Auditors' Results | 26 |
| Section II -- Financial Statement Findings | 28 |
| Section III -- Federal Award Findings and Questioned Costs | 41 |
| Section IV -- Status of Prior Years' Findings | 42 |
| EXIT CONFERENCE | 48 |



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Treme'Community Education Program, Inc.
New Orleans, Louisiana

We have audited the accompanying statement of financial position of **Treme'Community Education Program, Inc. (TCEP)** (a nonprofit organization) as of June 30, 2002, and the related statements of activities and changes in net assets (deficit), functional expenses and cash flows for the year then ended. These financial statements are the responsibility of TCEP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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 financial statements referred to above present fairly, in all material respects, the financial position of TCEP as of June 30, 2002, and the changes in its net assets (deficit), statements of functional expenses and cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

INDEPENDENT AUDITORS' REPORT
(CONTINUED)

To the Board of Directors
Treme'Community Education Program, Inc.
New Orleans, Louisiana
Page 2

In accordance with *Government Auditing Standards*, we have also issued a report dated March 5, 2003, on our consideration of TCEP'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. Also, this report contained instances of noncompliance and a reportable condition which is considered to be a material weakness.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 5, 2003

TREME' COMMUNITY EDUCATION PROGRAM, INC.
STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

ASSETS

| | |
|---|-----------------|
| Cash (NOTE 3) | \$26,532 |
| Prepaid insurance | 7,508 |
| Land and land improvements (NOTES 9 and 15) | <u>15,115</u> |
| Total assets | <u>\$49,155</u> |

LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities

| | |
|--|---------------|
| Amounts payable | \$ 624 |
| Salaries payable and related liabilities | 15,793 |
| Real estate taxes payable | 11,950 |
| Line of credit (NOTE 11) | 12,592 |
| Refundable advances (NOTE 12) | <u>26,118</u> |

Total liabilities 67,077

Contingencies and Commitments (NOTES 5, 8, 13 and 15)

Net Assets (Deficit)

| | |
|--|------------------|
| Unrestricted net deficit (NOTE 14) | <u>(17,922)</u> |
| Total net assets (deficit) | <u>(17,922)</u> |
| Total liabilities and net assets (deficit) | <u>\$ 49,155</u> |

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

TREME' COMMUNITY EDUCATION PROGRAM, INC.
STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2002

| | |
|--|-------------------|
| Support: | |
| Governor's Office of Urban Affairs and Development | \$266,288 |
| New Orleans Council on Aging | 60,000 |
| Department of Education | 133,972 |
| Office of Facility Planning and Control | 1,600 |
| Contributions | <u>20,000</u> |
| Total support | <u>481,860</u> |
| Revenues: | |
| Other income | 243 |
| Interest income | 42 |
| Fundraising | <u>2,855</u> |
| Total revenues | <u>3,140</u> |
| Total support and revenues | <u>485,000</u> |
| Expenses: | |
| Program services | 337,524 |
| Management and general | <u>126,509</u> |
| Total expenses | <u>464,033</u> |
| Change in net assets (deficit) | 20,967 |
| Net assets (deficit), beginning of year | <u>(38,889)</u> |
| Net assets (deficit), end of year | <u>\$(17,922)</u> |

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

TREME' COMMUNITY EDUCATION PROGRAM, INC.
STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2002

| | <u>Program Services</u> | <u>Management and General</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------------|------------------|
| Salaries and benefits | \$214,109 | \$ 74,845 | \$288,954 |
| Occupancy | 13,517 | 6,894 | 20,411 |
| Services and professional fees | 7,000 | 8,060 | 15,060 |
| Travel | 4,200 | 3,842 | 8,042 |
| Office supplies, printing and postage | 9,417 | 5,180 | 14,597 |
| Insurance | 6,036 | 1,500 | 7,536 |
| Gasoline | 1,335 | 1,698 | 3,033 |
| Equipment and equipment leases | 72,493 | 11,877 | 84,370 |
| Repairs and maintenance | 4,887 | 860 | 5,747 |
| Interest expense | -0- | 2,347 | 2,347 |
| Dues and subscriptions | -0- | 282 | 282 |
| Telephone | 4,530 | 3,899 | 8,429 |
| Other | <u>-0-</u> | <u>5,225</u> | <u>5,225</u> |
| Total | <u>\$337,524</u> | <u>\$126,509</u> | <u>\$464,033</u> |

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

TREME' COMMUNITY EDUCATION PROGRAM, INC.
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2002

| | |
|--|------------------|
| Cashflows from Operating Activities: | |
| Change in net assets | \$ 20,967 |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | |
| Decrease in amounts receivable | 1,706 |
| Decrease in grants receivable | 13,000 |
| Increase in prepaid insurance | (5,877) |
| Increase in refundable advances | 26,118 |
| Decrease in amounts payable | (2,597) |
| Decrease in real estate taxes payable | (2,032) |
| Increase in salaries payable and related liabilities | 14,207 |
| Decrease in interest payable | (1,966) |
| Decrease in bank overdraft | <u>(2,972)</u> |
| Net cash provided by operating activities | <u>60,554</u> |
| Cashflows from Financing and Related Activities: | |
| Payments on line of credit at bank | (49,694) |
| Proceeds from draw down on line of credit at bank | <u>13,950</u> |
| Net cash used in financing and related activities | <u>(35,744)</u> |
| Net increase in cash | 24,810 |
| Cash, beginning of year | <u>1,722</u> |
| Cash, end of year | \$ <u>26,532</u> |
| Interest expense paid during the year ended June 30, 2002 | \$ <u>2,347</u> |

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

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

Background

Treme' Community Education Program, Inc. (TCEP) is a non-profit organization established to provide social services to residents of New Orleans, Louisiana. It was established and incorporated on May 31, 1996, to promote and effectuate the planning and delivery of community services and social service programs within the community. **TCEP** is organized to mobilize such human and financial resources as may be available to correct the socio-economic deprivations affecting the area and to avail itself to the community. The primary sources of funding are the Governor's Office of Urban Affairs and Development, Louisiana Department of Education, New Orleans Council on Aging and the Office of Facility Planning and Control.

TCEP manages two major programs. The first is Harmony House, which is a senior citizen recreation center. The Center provides a variety of essential life support and cultural enrichment services to seniors who reside in parts of the 5th, 6th, 7th and 8th Wards of New Orleans. The second program is Treme Development Center. This program provides after school mentoring services for at-risk youths between the ages of six to sixteen years, who reside or attend school in District 96 of Orleans Parish.

Contributed Services

Contributed services are recognized if the services received create or enhance nonfinancial assets or require specialized skills, and would typically need to be purchased if not provided by donation. Contributed services for the year ended June 30, 2002 was \$-0-.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Property and Equipment

TCEP follows the practice of capitalizing all purchased property and equipment over \$500. Donations of property and equipment are recorded as contributions at their estimated fair value. Such donations are reported as unrestricted contributions unless the donor has restricted the donated asset to a specific use.

In the case of explicit restrictions regarding their use and contributions, the donated assets are reported as restricted contributions. Absent of donor restrictions regarding how long those donated assets must be maintained, TCEP reports the expiration when the donated or acquired assets are placed in service as unrestricted by the donor. Depreciation expense is computed using the straight-line method for all depreciable assets over their respective estimated useful lives. In accordance with TCEP's contract with the State, all property and equipment purchased become the property of the State upon completion or termination of its contract. As such, all property and equipment purchased with grant funds from the State are expensed in the year of acquisition.

Income Taxes

TCEP is as a not-for-profit entity exempt from federal income taxes under section 501(c)(3) of the Internal Revenue Code.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Principles of Accounting

The financial statements of **TCEP** are prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis.

Basis of Presentation

For the year ended June 30, 2002, **TCEP** followed the requirements of Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 117 in the presentation of its financial statements. Under SFAS No. 117, **TCEP** is required to report, as applicable, information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted and permanently restricted net assets. Unrestricted net assets include funds not subject to donor-imposed stipulations. Revenues received and expenses incurred in conducting the mission of **TCEP** are included in this category. **TCEP** has determined that any donor imposed restrictions for current or developing programs and activities are generally met within the operating cycle. In addition, **TCEP** is required to present a statement of cash flows. As such, the accompanying financial statements are presented in accordance with the requirement of SFAS 117.

Contributions

TCEP reports all contributions in accordance with the requirements of SFAS No. 116, "Accounting for Contributions Received and Contributions Made". As such, contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of donor restrictions.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 1 - Summary of Significant Accounting Policies, Continued:

Promises to Give

In accordance with SFAS No. 116, TCEP reports contributions as recognized when the donor makes a promise to give to TCEP 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 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.

TCEP uses the allowance method to determine uncollectible unconditional promises to give. The allowance is based on management's analysis of specific promises made. At June 30, 2002, uncollectible allowance was \$-0-.

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, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, support and expenses during the reporting period. Actual results could differ from those estimates.

Cash

For the purposes of the Statement of Cash Flows, TCEP considers all investment purchases with a maturity of three months or less to be cash equivalents.

Interprogram Activities

Interprogram activities have been eliminated in the accompanying Statement of Financial Position.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 2 - 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 benefitted in the accompanying Statement of Functional Expenses.

NOTE 3 - Cash:

At June 30, 2002, the carrying amount of TCEP's deposits was \$26,532 and the bank balance was \$42,923.

NOTE 4 - Fair Value of Financial Instruments:

The carrying amounts of cash, amounts receivable and payable, line of credit and accrued expenses approximate fair value because of the short maturities of these items.

NOTE 5 - Leases:

TCEP leases office space under an operating lease that expired on June 30, 2002. Office space expense for the year ended June 30, 2002, was \$12,000. TCEP also leases office equipment with a twelve month term which ended on June 30, 2002. Equipment lease expense for the year ended June 30, 2002, was \$4,515. In addition, TCEP leases under an operating lease, two (2) vehicles which expired on June 30, 2002. Vehicle lease expense for the year ended June 30, 2002 was \$59,529. (See NOTE 10).

NOTE 6 - Concentration of Credit Risk:

The primary funding sources for TCEP are the Governor's Office of Urban Affairs and Development, the Louisiana Department of Education, the New Orleans Council on Aging and the Office of Facility Planning and Control. If the amount of grant revenues received do not meet budgeted amount levels, TCEP's operating results could be adversely affected.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 7 - Risk Management:

TCEP is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, for which **TCEP** carries commercial insurance. Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE 8 - Contingencies and Commitments:

TCEP is subject to possible examination by regulatory agencies who determine compliance with laws and regulations governing grants provided to **TCEP**. These examinations may result in required refunds by **TCEP** to the agencies.

Based on correspondence from the Internal Revenue Service dated January 9, 2003, **TCEP** has been assessed proposed penalties in addition to proposed adjustments of wages and federal employment tax pending final resolutions for 1999 through 2001 tax years. As of March 5, 2003, we are unable to determine the actual dollar amount or its impact on the financial statements.

NOTE 9 - Land, and Land Improvements:

At June 30, 2002, land and land improvements consisted of a vacant parcel of land recorded in the amount of \$15,115. See NOTE 15 for additional discussion regarding the use of the vacant parcel of land.

NOTE 10 - Related Party Transactions:

TCEP leases its vehicles from an entity whose owner for part of the audit period, was associated with a board member of **TCEP** as a co-worker. The amount of the total lease payments for the fiscal year ended June 30, 2002, was \$59,529 (See NOTE 5).

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 11 - Line of Credit:

Note payable to a bank consists of the outstanding balance at June 30, 2002 of \$12,592 on a revolving line-of-credit totaling \$50,000 effective July 20, 2000. The interest rate on the note is subject to change based on an index which is 2.25% plus the highest Wall Street Journal prime rate if there is more than one rate. Payment terms equal the sum of any fees, late and other charges, past due amounts plus the greater of \$150 or one and one-half percent (1.5%) of the outstanding principal and interest balance. As of June 30, 2002 the terms of the line of credit have not changed from inception.

NOTE 12 - Refundable Advances:

TCEP was awarded a grant by the Louisiana Department of Education totaling \$235,000 for the period November 1, 2001 through September 30, 2002. TCEP was also awarded a grant from the Governor's Office of Urban Affairs and Development totaling \$274,000 for the period July 1, 2001 through June 30, 2002.

These grants are considered to be exchange transactions. Accordingly, revenue is recognized when earned and expenses recognized as incurred. Grant activity for these grants for the fiscal year ended June 30, 2002, was as follows:

| | |
|--|------------------|
| Refundable advances, beginning of year | \$ -0- |
| Cash receipts | 426,378 |
| Grant expenses | <u>(400,260)</u> |
| Refundable advances, end of year | <u>\$ 26,118</u> |

NOTE 13 - Subsequent Events:

TCEP has been awarded grants totaling \$531,430 by the Governor's Office of Urban Affairs and Development, Department of Education, and the New Orleans Council on Aging for the fiscal year ending June 30, 2003.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 14 - Deficit in General Program:

The deficit in the general program is the result of interest expense and other costs.

Management of TCEP has developed an action plan that includes revenue enhancement and cost containment measures to address the deficit. (See NOTE 15). Some of those specific activities include:

- Use of a capital appropriation fund of \$240,000 toward the construction of rental properties;
- Solicit contributions through fundraisers; and
- Undertaken cost containment action in significant operational areas such as transportation and related cost, occupancy cost, etc.

NOTE 15 - Cooperative Endeavor:

On October 23, 2001, and December 11, 2001, TCEP executed cooperative agreements with the State of Louisiana (Division of Administration) pursuant to Act 22, of the 2001 regular session of the Louisiana Legislature.

The Act appropriated funding in the amount of two hundred forty thousand dollars (\$240,000) for the "Leverette Senior House, Planning and Construction (Orleans)" project. In addition, the Act appropriated three hundred thousand dollars (\$300,000) and five hundred and fifty thousand dollars (\$550,000) for the "Program Operations, Planning and Construction (Orleans)" project.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
NOTES TO THE FINANCIAL STATEMENTS, CONTINUED

NOTE 15 - Cooperative Endeavor, Continued:

Furthermore, the Bond Commission granted a non-cash line of credit for the "Program Operations Planning and Construction (Orleans)" project in the amount of five hundred fifty thousand dollars (\$550,000). The agreement further charged the Office of Facility Planning and Control with the administration of the cooperative agreements.

At June 30, 2002, TCEP had drawn down sixteen hundred dollars (\$1,600) in connection with the Leverette Senior House, Planning and Construction project.

SUPPLEMENTARY INFORMATION



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

**INDEPENDENT AUDITORS' REPORT
ON
SUPPLEMENTARY INFORMATION**

To the Board of Directors
Treme' Community Education Program, Inc.
New Orleans, Louisiana

Our report on our audit of the financial statements of **Treme' Community Education Program Inc. (TCEP)** appears on page 1. That audit was conducted for the purpose of forming an opinion on the financial statements taken as a whole.

The accompanying Schedule of Expenditures of Federal Awards (Schedule I) is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in the Schedule of Expenditures of Federal Awards has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion is fairly stated in all material respects in relation to the financial statements taken as a whole.

The supplementary information (Exhibits, I, II and III) 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 financial statements and, *in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.*

Bruno & Tervalon LLP

**BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS**

March 5, 2003

SCHEDULE I

TREME' COMMUNITY DEVELOPMENT PROGRAM, INC.
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

| <u>Federal Grantor</u> | <u>CFDA Number</u> | <u>Expenditures</u> |
|---|------------------------|---------------------|
| Program funded by the U.S. Department of Health and Human Services : | | |
| Pass through Louisiana - Department of Education Temporary Assistance for Needy Families | 93.558 | \$ <u>133,972</u> |
| Total | | \$ <u>133,972</u> |

NOTE: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes all Federal grant activity of TCEP and is presented on an accrual basis of accounting.

See Independent Auditors' Report on Supplementary Information.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

| | STATE OF LOUISIANA | | | | | | | |
|---------------------------|--|-------------------------|---|---|------------------------------|----------------|------------------|--|
| GENERAL PROGRAM | GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT | DEPARTMENT OF EDUCATION | OFFICE OF FACILITY PLANNING AND CONTROL | LOUISIANA STADIUM AND EXPOSITION DISTRICT | NEW ORLEANS COUNCIL ON AGING | TOTAL | | |
| Cash | \$ 1,543 | \$ 244 | \$23,990 | \$ 50 | \$-0- | \$ 705 | \$ 26,532 | |
| Interfund receivable | 158,031 | 129,837 | -0- | -0- | 5 | 3,971 | 291,844 | |
| Prepaid insurance | -0- | 6,507 | 1,001 | -0- | -0- | -0- | 7,508 | |
| Land and land improvement | <u>15,115</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>15,115</u> | |
| Total assets | <u>\$174,689</u> | <u>\$136,588</u> | <u>\$24,991</u> | <u>\$ 50</u> | <u>\$ 5</u> | <u>\$4,676</u> | <u>\$340,999</u> | |

ASSETS

See Independent Auditors' Report on Supplementary Information.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
COMBINING STATEMENT OF FINANCIAL POSITION
JUNE 30, 2002

| | STATE OF LOUISIANA | | | | | TOTAL |
|---|---|----------------------------|--|--|------------------------------------|-----------|
| | GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT | DEPARTMENT OF EDUCATION | OFFICE OF FACILITY PLANNING AND CONTROL | LOUISIANA STADIUM AND EXPOSITION DISTRICT | NEW ORLEANS COUNCIL ON AGING | |
| | GENERAL PROGRAM | | | | | |
| | \$ 624 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ 624 |
| Amounts payable | -0- | 6,585 | -0- | -0- | 437 | 15,793 |
| Salaries payable and related liabilities | 11,950 | -0- | -0- | -0- | -0- | 11,950 |
| Real estate taxes payable | 12,592 | -0- | -0- | -0- | -0- | 12,592 |
| Line of credit | -0- | 18,406 | -0- | -0- | -0- | 26,118 |
| Refundable advances | 170,594 | -0- | -0- | 10 | 1,135 | 291,844 |
| Interfund payable | | | | | | |
| Total liabilities | 195,760 | 24,991 | -0- | 10 | 1,572 | 358,921 |
| Unrestricted net assets (deficit) | (21,071) | -0- | 50 | (5) | 3,104 | (17,922) |
| Total unrestricted net assets (deficit) | (21,071) | -0- | 50 | (5) | 3,104 | (17,922) |
| Total liabilities and unrestricted net assets (deficit) | \$174,689 | \$24,991 | \$ 50 | \$ 5 | \$4,676 | \$340,999 |

LIABILITIES AND NET ASSETS (DEFICIT)

Liabilities:

Amounts payable
Salaries payable and related liabilities
Real estate taxes payable
Line of credit
Refundable advances
Interfund payable

Total liabilities

Unrestricted net assets (deficit)

Total unrestricted net assets (deficit)

Total liabilities and unrestricted net assets (deficit)

See Independent Auditors' Report on Supplementary Information.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 2002

| | GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT | STATE OF LOUISIANA DEPARTMENT OF EDUCATION | OFFICE OF FACILITY PLANNING AND CONTROL | LOUISIANA STADIUM AND EXPOSITION DISTRICT | NEW ORLEANS COUNCIL ON AGING | TOTAL |
|--|---|--|--|--|------------------------------------|---------|
| Revenues: | | | | | | |
| Other income | \$ 243 | \$ -0- | \$ -0- | \$ -0- | \$ -0- | \$ 243 |
| Interest income | 42 | -0- | -0- | -0- | -0- | 42 |
| Fundraising | 2,855 | -0- | -0- | -0- | -0- | 2,855 |
| Total revenues | 3,140 | -0- | -0- | -0- | -0- | 3,140 |
| Support: | | | | | | |
| Governor's Office of Urban Affairs and Development | 266,288 | -0- | -0- | -0- | -0- | 266,288 |
| New Orleans Council on Aging | -0- | -0- | -0- | -0- | 60,000 | 60,000 |
| Department of Education | -0- | 133,972 | -0- | -0- | -0- | 133,972 |
| Office of Facility Planning and Control Contributions | -0- | -0- | 1,600 | -0- | -0- | 1,600 |
| | 20,000 | -0- | -0- | -0- | -0- | 20,000 |
| Total support | 266,288 | 133,972 | 1,600 | -0- | 60,000 | 481,860 |
| Total revenues and support | 23,140 | 133,972 | 1,600 | -0- | 60,000 | 485,000 |

See Independent Auditors' Report on Supplementary Information.

TREME COMMUNITY EDUCATION PROGRAM, INC.
COMBINING STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS (DEFICIT), CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

| | STATE OF LOUISIANA | | | | | |
|--|--|-------------------------|---|---|------------------------------|-------------------|
| GENERAL PROGRAM | GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT | DEPARTMENT OF EDUCATION | OFFICE OF FACILITY PLANNING AND CONTROL | LOUISIANA STADIUM AND EXPOSITION DISTRICT | NEW ORLEANS COUNCIL ON AGING | TOTAL |
| Expenses: | | | | | | |
| Program services | \$ -0- | \$ 117,121 | \$ -0- | \$ -0- | \$ 35,320 | \$ 337,524 |
| Management and general | <u>5,322</u> | <u>16,851</u> | <u>1,550</u> | <u>5</u> | <u>21,576</u> | <u>126,509</u> |
| Total expenses | <u>5,322</u> | <u>133,972</u> | <u>1,550</u> | <u>5</u> | <u>56,896</u> | <u>464,033</u> |
| Change in net assets | 17,818 | -0- | 50 | (5) | 3,104 | 20,967 |
| Unrestricted net assets, (deficit) beginning of year | <u>(38,889)</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>-0-</u> | <u>(38,889)</u> |
| Unrestricted net assets (deficit), end of year | <u>\$(21,071)</u> | <u>\$ -0-</u> | <u>\$ 50</u> | <u>\$(5)</u> | <u>\$ 3,104</u> | <u>\$(17,922)</u> |

See Independent Auditors' Report on Supplementary Information.

EXHIBIT III

TREME' COMMUNITY EDUCATION PROGRAM, INC.
 COMBINING STATEMENT OF FUNCTIONAL EXPENSES
 FOR THE YEAR ENDED JUNE 30, 2002

STATE OF LOUISIANA

| | GOVERNOR'S OFFICE OF URBAN AFFAIRS AND DEVELOPMENT | | | DEPARTMENT OF EDUCATION | | | OFFICE OF FACILITY PLANNING AND CONTROL | | | LOUISIANA STADIUM AND EXPOSITION DISTRICT | | | NEW ORLEANS COUNCIL ON AGING | | | TOTAL |
|---------------------------------------|--|-----------------|------------------------|-------------------------|-------------------|------------------------|---|-----------------|------------------------|---|------------------|------------------------|------------------------------|-------------------|------------------------|-------|
| | GENERAL PROGRAM | | MANAGEMENT AND GENERAL | PROGRAM SERVICES | | MANAGEMENT AND GENERAL | PROGRAM SERVICES | | MANAGEMENT AND GENERAL | PROGRAM SERVICES | | MANAGEMENT AND GENERAL | PROGRAM SERVICES | | MANAGEMENT AND GENERAL | |
| | PROGRAM SERVICES | GENERAL | | PROGRAM SERVICES | GENERAL | | PROGRAM SERVICES | GENERAL | | PROGRAM SERVICES | GENERAL | | PROGRAM SERVICES | GENERAL | | |
| Salaries and benefits | \$ 0 | \$ 0 | \$ 98,571 | \$ 57,673 | \$ 95,757 | \$ 6,419 | \$ 0 | \$ 0 | \$ 0 | \$ 0 | \$ 19,781 | \$ 10,753 | \$ 214,109 | \$ 74,845 | | |
| Occupancy | 0 | 0 | 5,190 | 2,780 | 5,000 | 538 | 0 | 0 | 0 | 0 | 3,327 | 3,576 | 13,517 | 6,894 | | |
| Services and professional fees | 0 | 0 | 2,500 | 3,080 | 2,500 | 0 | 0 | 1,550 | 0 | 0 | 2,000 | 3,430 | 7,000 | 8,060 | | |
| Travel | 0 | 1,628 | 4,200 | 1,458 | 0 | 756 | 0 | 0 | 0 | 0 | 0 | 0 | 4,200 | 3,842 | | |
| Office supplies, printing and postage | 0 | 0 | 5,002 | 612 | 3,136 | 4,568 | 0 | 0 | 0 | 0 | 1,279 | 0 | 9,417 | 5,180 | | |
| Insurance | 0 | 0 | 5,836 | 1,500 | 200 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 6,036 | 1,500 | | |
| Gasoline | 0 | 380 | 0 | 1,268 | 0 | 50 | 0 | 0 | 0 | 0 | 1,335 | 0 | 1,335 | 1,698 | | |
| Equipment and equipment lease | 0 | 0 | 55,985 | 9,862 | 9,250 | 2,015 | 0 | 0 | 0 | 0 | 7,358 | 0 | 72,493 | 11,877 | | |
| Repairs and maintenance | 0 | 0 | 4,582 | 860 | 65 | 0 | 0 | 0 | 0 | 0 | 240 | 0 | 4,887 | 860 | | |
| Interest expense | 0 | 2,347 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2,347 | | |
| Dues and subscriptions | 0 | 0 | 0 | 44 | 0 | 238 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 282 | | |
| Telephone | 0 | 0 | 3,317 | 1,421 | 1,213 | 520 | 0 | 0 | 0 | 0 | 0 | 1,958 | 4,530 | 3,899 | | |
| Other | 0 | 967 | 0 | 647 | 0 | 1,747 | 0 | 0 | 0 | 0 | 0 | 1,859 | 0 | 5,225 | | |
| Total | \$ 0 | \$ 5,322 | \$ 185,083 | \$ 81,205 | \$ 117,121 | \$ 16,851 | \$ 0 | \$ 1,550 | \$ 0 | \$ 0 | \$ 35,320 | \$ 21,576 | \$ 337,524 | \$ 126,509 | | |

See Independent Auditors' Report on Supplementary Information.



Member
American Institute of
Certified Public Accountants
Society of Louisiana
Certified Public Accountants

Michael B. Bruno, CPA
Alcide J. Tervalon, Jr., CPA
Waldo J. Moret, Jr., CPA
Paul K. Andoh, Sr., CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Treme' Community Education Program, Inc.
New Orleans, Louisiana

We have audited the financial statements of **Treme' Community Education Program, Inc. (TCEP)** as of and for the year ended June 30, 2002, and have issued our report thereon dated March 5, 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 TCEP'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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Summary Schedule of Findings as items 2002-01, 2002-03, 2002-04 through 2002-06.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING
BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

(CONTINUED)

Internal Control Over Financial Reporting

In planning and performing our audit, we considered TCEP'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 TCEP's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying Summary Schedule of Findings as items 2002-02 through 2002-04, and 2002-05.

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 that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that item 2002-02 described above is a material weakness.

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

This report is intended solely for the information and use of the Board of Directors, management, the Legislative Auditor for the State of Louisiana, the Governor's Office of Urban Affairs and Development, the Louisiana Department of Education, the New Orleans Council on Aging, the Louisiana Stadium and Exposition District and the Office of Facility Planning and Control and is not intended to be and should not be used by anyone other than those specified parties.

Bruno & Tervalon LLP

BRUNO & TERVALON LLP
CERTIFIED PUBLIC ACCOUNTANTS

March 5, 2003

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2002

We have audited the financial statements of **Treme' Community Education Program, Inc. (TCEP)** as of and for the year ended June 30, 2002, and have issued our report thereon dated March 5, 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.

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: **Unqualified**

Internal control over financial reporting:

- Material weakness(es) identified? **Yes**
- Reportable condition (s) identified that are not considered to be material weaknesses? **Yes**

Noncompliance material to financial statements noted? **Yes**

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? **N/A***
- Reportable condition(s) identified that are not considered to be material weaknesses? **N/A***

*Not Applicable

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section I - Summary of Auditors' Results, Continued

| | |
|--|------|
| Type of auditor's report issued on compliance for major programs: | N/A* |
| Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | N/A* |
| Identification of major programs: | N/A* |
| Dollar threshold used to distinguish between type A and type B programs | N/A* |
| Auditee qualified as low-risk auditee? | N/A* |

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings

Reference Number

2002-01

Criteria

Pursuant to Louisiana Revised Statute 24:513, all completed engagements are required to be submitted to the Legislative Auditor within six (6) months of close of the organizations' fiscal year end.

Condition

The June 30, 2002, audited financial statements for TCEP were not submitted within the timeframe dictated by Louisiana Revised Statute 24:513.

Questioned Costs

NONE.

Effect

Non-compliance with the report submission requirements of Louisiana Revised Statute 24:513.

Cause

The high rate of turnover in key positions coupled with an audit by the Internal Revenue Service (IRS).

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-01

Recommendation

Management should continue to work toward the establishment of a financial reporting system that will facilitate the timely submission of all reports.

Management's Response

Management has contracted with an independent CPA to assist TCEP in evaluating its financial reporting system to ensure its adequacy and ability to prepare and generate all required financial reports in a timely manner. Anticipated completion date is October 31, 2003.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number

2002-02

Criteria

The management of **TCEP** is responsible for establishing and maintaining an effective internal control to ensure compliance with laws, regulations and program requirements.

Condition

The operation of **TCEP's** internal control over financial reporting exhibited the following conditions:

- Subsidiary ledgers for significant general ledger accounts such as, payables, net deficit and support, are not maintained and/or reconciled to the applicable general ledger control accounts;
- Also, there were several balance sheet accounts in the general ledger that reflected balances at June 30, 2002, which were contrary to the nature of the account prior to the effect of audit adjustments;
- Untimely and inaccurate recordation of financial transactions;
- Untimely preparation and review of financial statements for accuracy and completeness as evidenced by the numerous audit adjustments;
- The June 2002, monthly bank account reconciliation for **TCEP's** JCCH program did not agree to the general ledger balance at June 30, 2002. The general ledger balance for the referenced account at June 30, 2002, was \$45.73 compared to the reconciled balance of \$.05;

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-02

Condition, Continued

- Noted no indication of supervisory review and/or approval of all reconciled bank accounts; and
- Untimely preparation of all bank account reconciliations.

Questioned Costs

NONE.

Effect

Untimely and inaccurate reporting of financial transactions.

Cause

Lack of an adequate internal control system in place to ensure the timely and accurate recordation and reporting of all financial transactions to include the appropriate level of supervisory oversight by management.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-02

Recommendation

We recommend that management establish subsidiary ledgers for all significant accounts and perform monthly reconciliations of the balances in those accounts as reflected on the subsidiary ledgers to the applicable general ledger control account. The reconciliation process should include identification of the detail composition of the accounts. The reconciliations should also be prepared in writing and all reconciling items should be documented and the necessary corrections made to the subsidiary ledgers or journal entries prepared and posted to the general ledger on a timely basis. The procedure should include supervisory review to be evidenced by an initialing and dating. In addition, all bank accounts should be reconciled monthly and evidence of supervisory review indicated via an initialing and dating of the reconciliation documents. Furthermore, management should consider the use of an assignment matrix with due dates to ensure the timely preparation of financial reports.

Management's Response

Management is currently evaluating its financial accounting and reporting system with an aim towards improving the system to facilitate the accurate and timely reporting of all financial activities. Anticipated completion date is October 31, 2003.

Also, management has hired a CPA on a contractual basis to assist in the management of TCEP's financial recordkeeping process.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number

2002-03

Criteria

The deposit and report filing requirements for Federal and State payroll taxes dictate specific deposit and report filing timelines. Furthermore, regulations require the timely filing and submission of reports such as 1099, W-2, etc..

Condition

Our review of numerous correspondences from the IRS, revealed its inability to properly apply TCEP's payroll tax deposits. Also, the results of an IRS audit performed covering the audit period, revealed the untimely submission of IRS Forms 1099, W-2's etc..

Questioned Costs

NONE.

Effect

Noncompliance with Federal and State regulations regarding payroll tax payments and reporting.

Cause

Lack of a system in place to ensure the timely and accurate filing of payroll tax and other returns.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-03

Recommendation

Management of TCEP should develop a procedure that will ensure that all payroll tax payments and/or reporting are undertaken on a timely basis. The procedure should also incorporate the accurate and timely submission of all applicable tax returns or reports.

Management's Response

Management is in the process of evaluating its current payroll and tax reporting processes. The review will focus on improving the accuracy and timely reporting of all Federal and State activities. Expected completion date is October 31, 2003.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number

2002-04

Criteria

Section P of the contract with the Governor's Office of Urban Affairs and Development states: "grantee hereby agrees to submit monthly and quarterly expenditure reports....".

Condition

Our review of TCEP's compliance with the above stated criteria revealed an instance where the November 2001 expenditure report detailing administrative and programmatic financial activities as submitted to the Governor's Office of Urban Affairs and Development, did not agree to amounts recorded on TCEP's general ledger.

Questioned Costs

NONE.

Effect

Noncompliance with completeness of financial reporting.

Cause

The absence of an adequate financial reporting system in place to facilitate the accurate reporting of financial activities.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-04

Recommendation

TCEP should re-evaluate its financial reporting processes with an aim towards ensuring the accurate reporting of all financial activities to its funding sources.

Management's Response

Again, management is currently evaluating its financial reporting system. The referenced evaluation will address the condition described. Expected completion date is October 31, 2003.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number

2002-05

Criteria

The "Terms of Payment" section of the contract between TCEP and the Governor's Office of Urban Affairs and Development states: "funds are to be used only for the purposes stated in the grantee's application."

Condition

TCEP incurs common or shared cost such as payroll and related fringe, occupancy, etc. in the management of its various programs. However, we noted that the allocation of shared costs to the various programs managed by TCEP, was not performed on a consistent basis.

Questioned Costs

NONE.

Effect

Noncompliance with the contractual agreement with TCEP's respective funding sources.

Cause

The lack of an established and implemented formal cost allocation policy.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-05

Recommendation

Management should utilize a cost allocation methodology that is consistent and provides for a systematic allocation of shared costs.

Management's Response

Management is in the process of developing a formalized cost allocation plan for shared cost. Expected completion date is September 30, 2003.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number

2002-06

Criteria

The terms of the Louisiana Public Bid Law states that for purchases exceeding \$15,000, the procurement must be advertised and awarded based on sealed bids which are received timely.

Condition

Our review of the records of **TCEP** revealed that the procurement of two (2) leased vehicles for transportation services provided by **TCEP** to its program participants was not performed until February 2002. Subsequent to February 2002, **TCEP** has procured the referenced services in accordance with the Louisiana Public Bid Law.

Based on discussions with management, it is our understanding that procurement of the referenced services was in management's opinion, not necessary as a result of their discussions with a representative of the State's Office for Procurement Goods and Services. Furthermore, it is management's observation that the costs for the services provided are comparable between years. Pursuant to the requirements of R.S. 39:1581, it is our opinion, that the statute provides for the exercise of a renewal option provided that such an option is included in the original solicitation for bids. Our review of the June 30, 2000, solicitation for bids revealed the absence of such an option.

Questioned Costs

\$30,400.

Effect

Noncompliance with the requirements of the State of Louisiana Public Bid Law.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section II - Financial Statement Findings, Continued

Reference Number, Continued

2002-06

Cause

Misinterpretation of the public bid law by management.

Recommendation

We recommend that management procure all required services falling within the requirements of the public bid law on a timely basis.

Management's Response

Management will ensure that in the future all required procurement activities are undertaken on a timely basis.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section III - Federal Award Findings and Questioned Costs

No federal award findings and questioned costs were reported for the year ended June 30, 2002.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section IV - Status of Prior Years' Findings

Reference Number

2001-01

Condition

Our review of IRS Form 941 (Employers Quarterly Federal Tax Return) filed by TCEP for the year ended June 30, 2001, revealed the following:

- The Form 941 for the quarter ended September 30, 2000, was not submitted timely and also contained clerical errors.
- The IRS Form 941 for the quarters ended September 30, 2000, through June 30, 2001, were not correctly prepared and the monthly summary tax liability section did not agree to the net taxes due for each respective filing.

Current Status

For the current year, all required IRS Forms 941 were filed on a timely basis.

Reference Number

2001-02

Condition*

Our review of monthly expenditure reports detailing administrative and programmatic financial activities, submitted to the Governor's Office of Urban Affairs and Development revealed differences in the amounts reflected on the expenditure report to that recorded on TCEP's general ledger for the months of February and June 2001.

Current Status

See current year finding number 2002-04.

*Repeated

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2001-03

Condition

Our testing of TCEP's cash disbursement process revealed the lack of supporting documentation for a disbursement in the amount of \$475 (total population of sample was \$7,230) to a vendor.

Current Status

Resolved.

Reference Numbers

2001-04 and 2000-01

Condition*

Our review of the bank account reconciliation process revealed the following conditions:

- The administrative bank account reconciliation prepared for the Governor's Office of Urban Affairs and Development program was incomplete as to outstanding checks totaling \$2,896.84 at June 30, 2001; and
- TCEP's board checking account at June 30, 2001, was not complete as to the recordation of all transactions. The net audit adjustment to reflect all financial transactions for the year ended June 30, 2001, was \$2,663.75.

Current Status

See current year finding number 2002-02.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2001-05

Condition

Our review of the records of **TCEP** revealed the lack of documents to support the procurement of two (2) leased vehicles for transportation services provided by **TCEP** to its program participants.

Current Status

As of February 2002, management of **TCEP** has complied with the procurement requirements dictated by the Louisiana Public Bid Law. See current year finding number 2002-06 for additional discussion.

Reference Number

2001-06

Condition*

At June 30, 2001, **TCEP** had no bonding insurance covering its employees with access to cash.

Current Status

Management is currently working on securing bonding insurance coverage. Anticipated resolution date is August 29, 2003.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2001-07

Condition

Lack of segregation of duties.

Current Status

Management of TCEP continues to participate in key internal control activities as its current staffing size does not accommodate an effective segregation of duties.

Reference Number

2000-02

Condition*

TCEP's procedures should be revised to require that all payroll tax returns prepared are reconciled to the respective source documents and general ledger prior to submission to the respective agencies.

Current Status

See current year finding number 2002-03.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2000-03

Condition*

Management should re-evaluate the current internal control system with an aim towards improving the existing procedures and processes to include the establishment of new procedures as necessary. In addition, management should consider the preparation and submission of organization wide financial statements, to include budget to actual comparisons, to the Board.

Current Status

See current year finding numbers 2002-02, and 2002-04.

Reference Number

2000-04

Condition*

Management should utilize a cost allocation methodology that is consistent and provides for a systematic allocation of shared costs.

Current Status

See current year finding number 2002-05.

TREME' COMMUNITY EDUCATION PROGRAM, INC.
SUMMARY SCHEDULE OF FINDINGS, CONTINUED
FOR THE YEAR ENDED JUNE 30, 2002

Section IV - Status of Prior Years' Findings, Continued

Reference Number

2000-05

Condition

TCEP should re-evaluate its financial reporting (specifically the monthly reports detailing administrative and programmatic financial activities) compliance procedures with an aim towards ensuring the timely and accurate reporting of all financial statements.

Current Status

See current year finding number 2002-04.

Reference Number

2000-06

Condition

TCEP should establish a system to ensure compliance with all required review and approval requirements of its contract with its funding sources.

Current Status

Currently, **TCEP** has an established system in place that facilitates the submission of all contracts to its funding sources.

**TREME' COMMUNITY EDUCATION PROGRAM, INC.
EXIT CONFERENCE**

An exit conference was held on April 3, 2003, with representatives of **Treme' Community Education Program, Inc.** The contents of this report were discussed and management indicated their concurrence in all material respects. Those individuals who participated in this and previous discussions are as follows:

TREME' COMMUNITY EDUCATION PROGRAM, INC.

| | | |
|------------------|----|------------------------------|
| Mr. Paul West | -- | Chairman, Board of Directors |
| Mr. Norman Smith | -- | Executive Director |

BRUNO & TERVALON LLP, CERTIFIED PUBLIC ACCOUNTANTS

| | | |
|-----------------------------|----|----------------------|
| Mr. Paul K. Andoh, Sr., CPA | -- | Partner |
| Mrs. Latona Thomas, CPA | -- | Senior |
| Mr. Victor Robinson | -- | In-Charge Accountant |